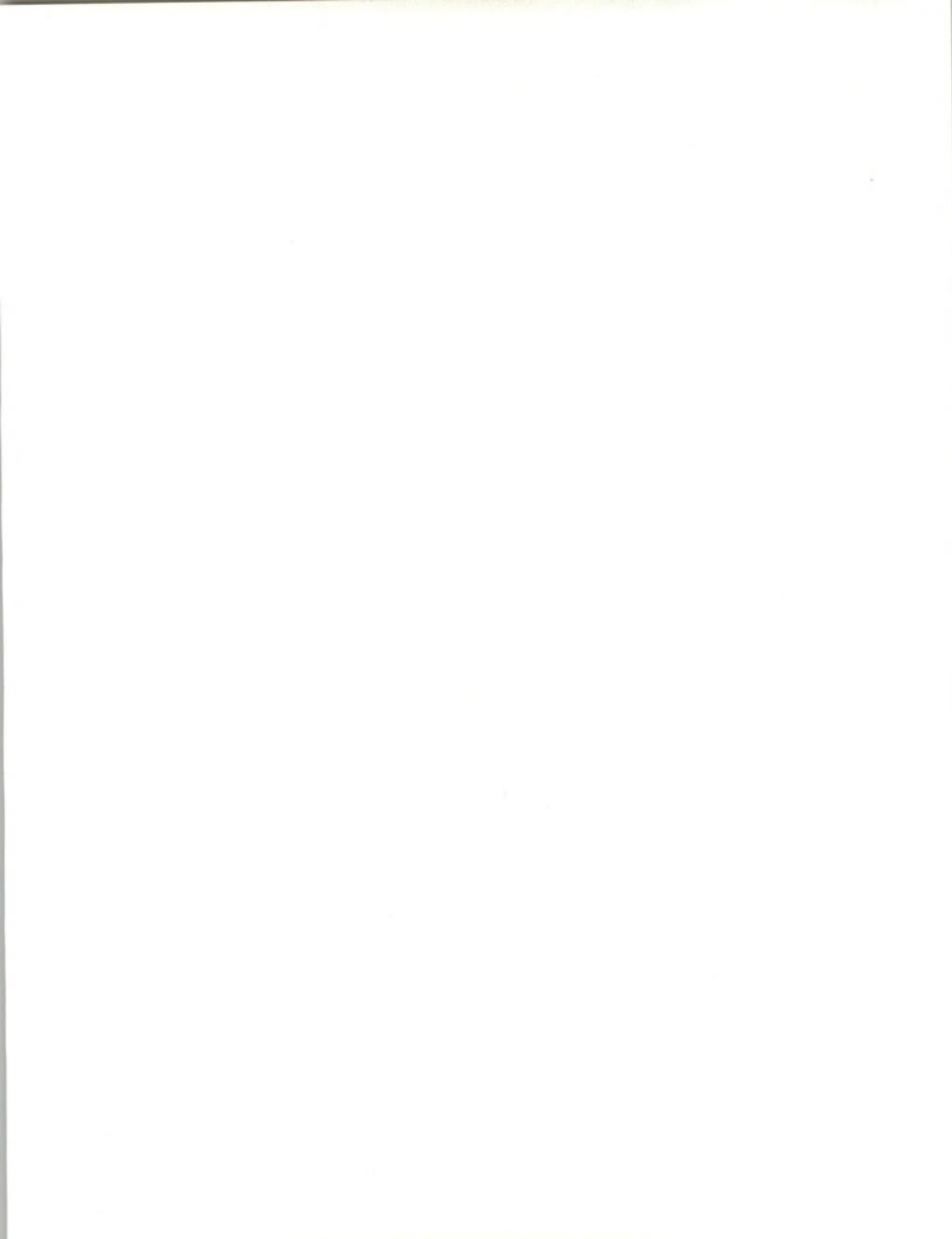


“IBM runs our computer center as it's supposed to be run—as a profit center, not a cost center.”

Kathy Hudson, Kodak

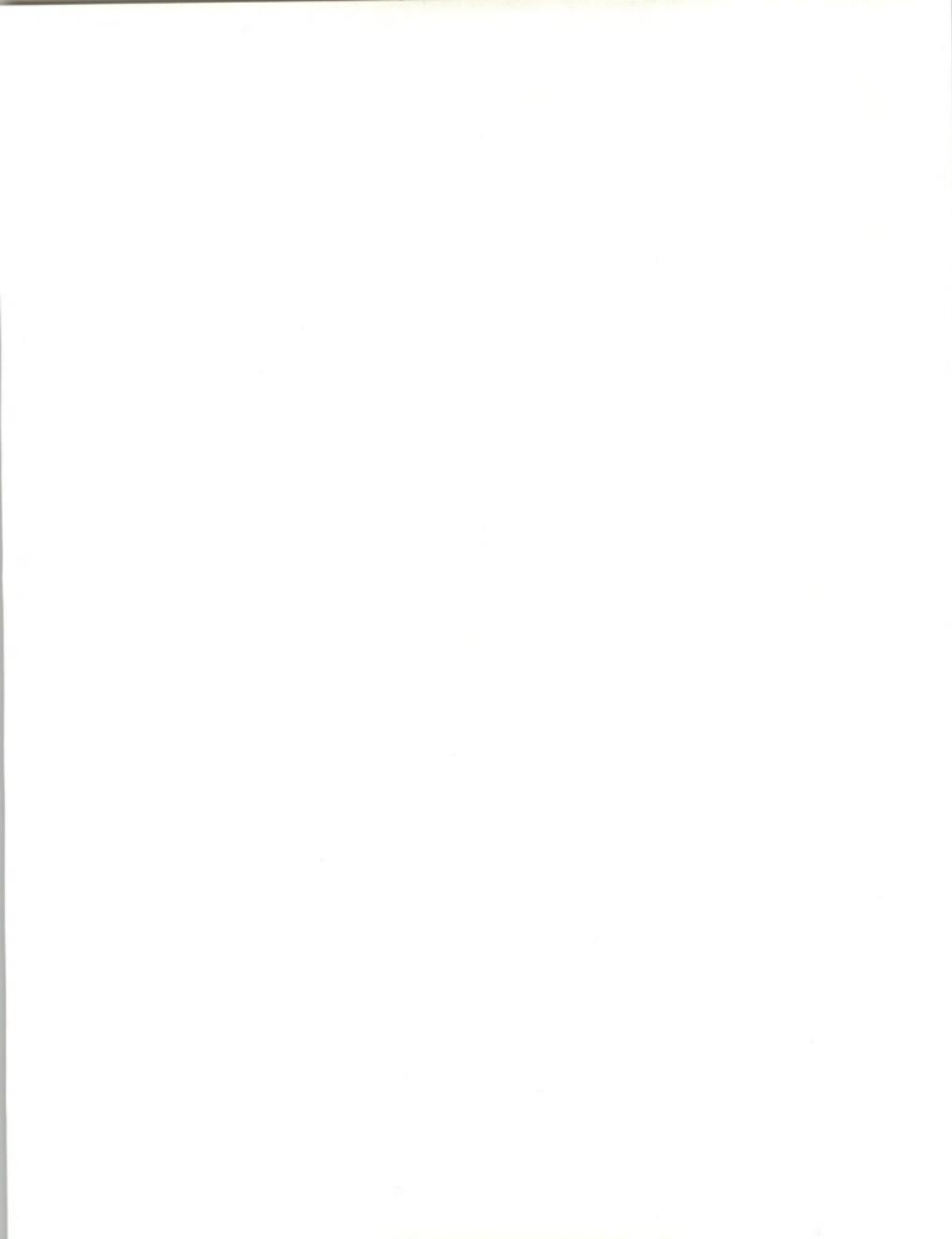
Source: *Fortune* article



“I haven’t lost 200 people,
I’ve gained 50,000.”

Jack Livingston,
National Car Rental

Source: *Fortune* article



Outsourcing is the
contracting of information
systems processes to
external vendors.



IS Outsourcing Areas

1. Systems operations
2. Applications management
3. Network operations
4. Desktop services



“Outsourcing” vs. Buying Services

- Greater commitment on part of buyer
- “Partnership”
- Responsibility/risk for vendors



Driving Forces—Outsourcing

Category	Outsourcing
Staff	Scarcity of talents
Technology	Increasing complexity New technology



Driving Forces—Outsourcing

Category	Outsourcing
Response	Service requirements Flexible operations
Financial	Cost reduction New scales of economy
Management	Executive refocus



Inhibiting Factors Outsourcing

Category	Outsourcing
Management	Loss of control
Fallback	Inability to reverse decision



Inhibiting Factors Outsourcing

Category	Outsourcing
Financial	Uncertain savings
Staff	Threat to organization



Outsourcing User Issues

- Business environment
 - Critical value of information
 - Organizational impact
 - Flexibility for change



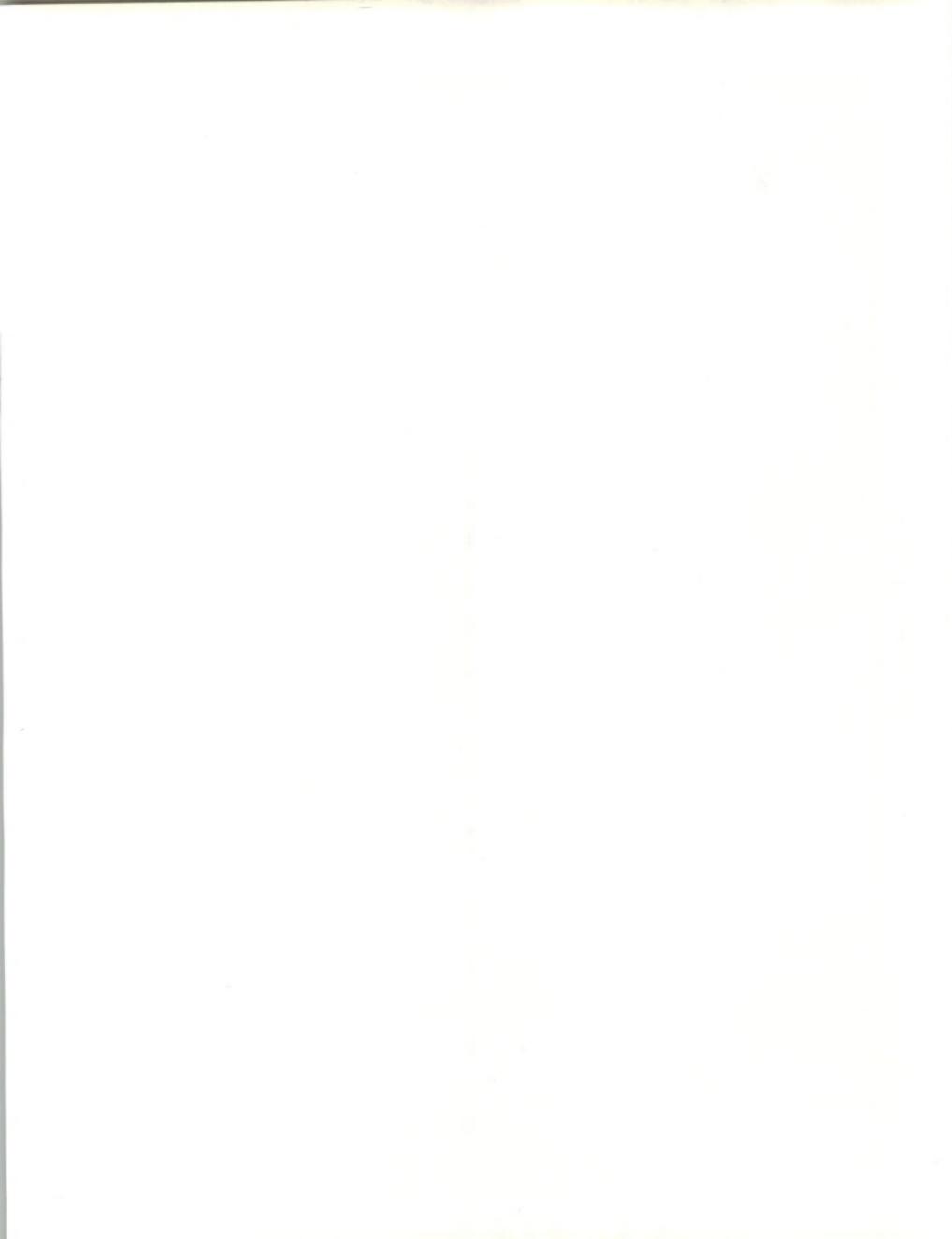
Outsourcing User Issues

- Operating environment
 - Dependency on vendor
 - Long-term stability
 - Improved service levels
 - Control over operating costs



Outsourcing

OU-43



Conclusions

- Outsourcing is revolutionary
 - Functional responsibility to vendor
 - Increased dependence for clients
 - Increased risk for vendor



Conclusions

- Outsourcing is revolutionary
 - Vendor/client partnerships
 - Vendor success tied to client success
 - Vendor provides all services



Conclusions

- Outsourcing revolution continues
 - Deals are getting bigger
 - Larger vendors most successful
 - More services being outsourced

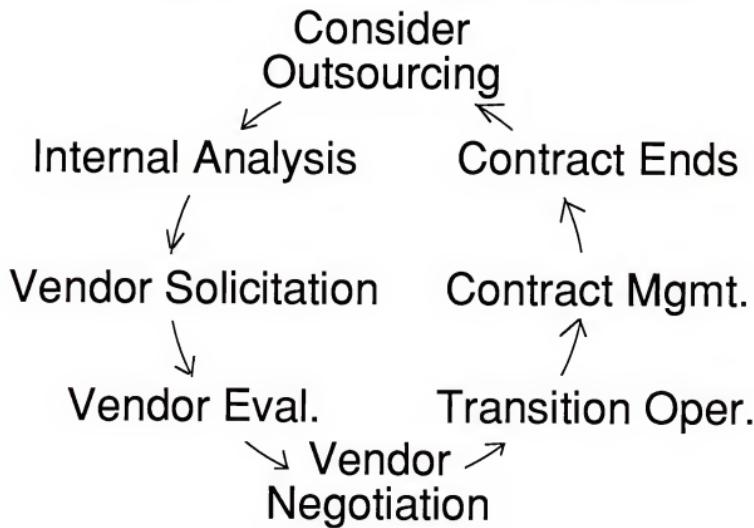


The Outsourcing Revolution

A new way of doing
business . . . better

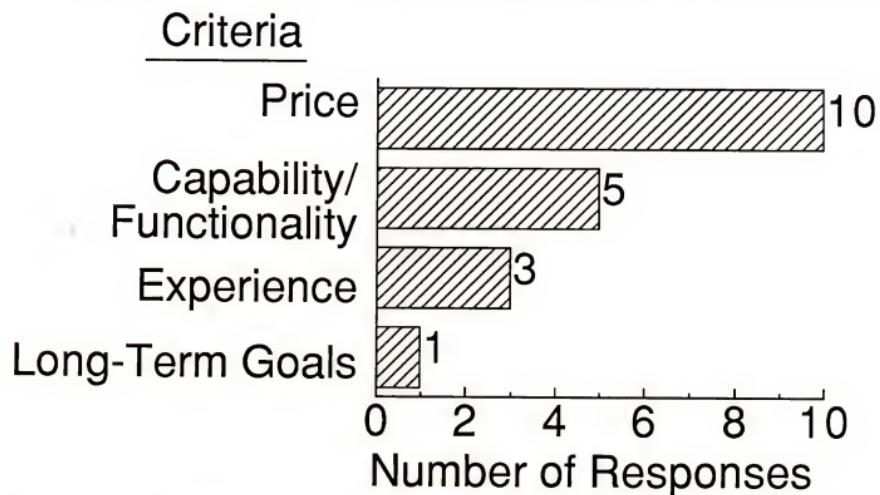


Outsourcing Cycle





Important Evaluation Criteria

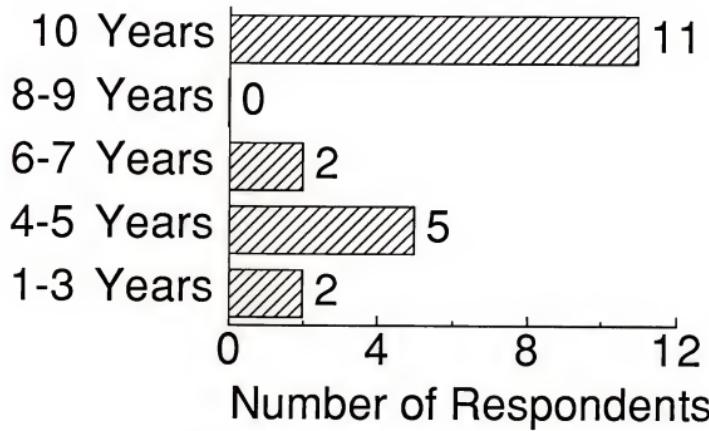


OU-52
4/15/92

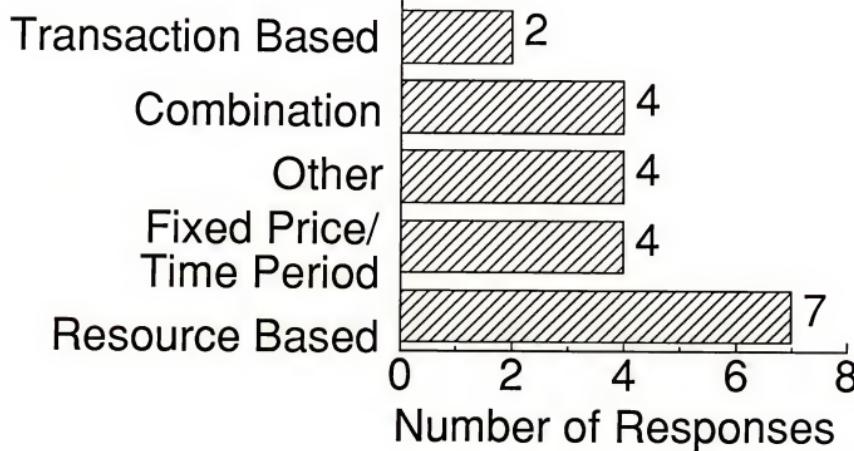
Note: 13 respondents answered the question



Contract Length



Pricing Terms

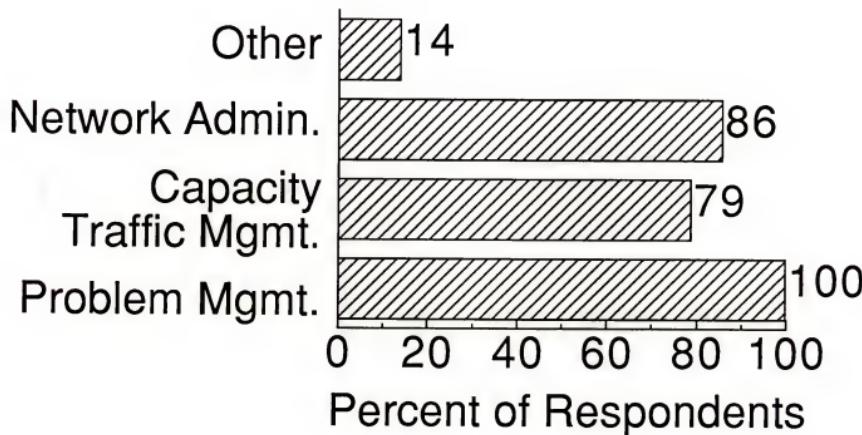


WM(8) G-UP HADOCOM

Outsourcing of Network Management

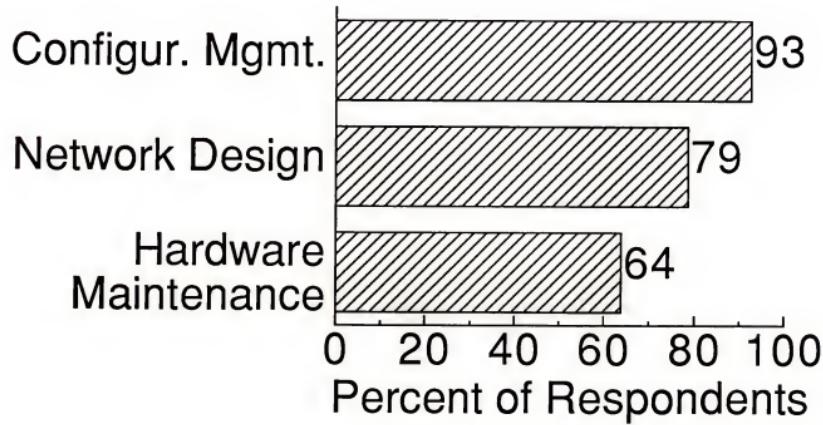
OU-56
4/15/92

Vendor Functions Provided

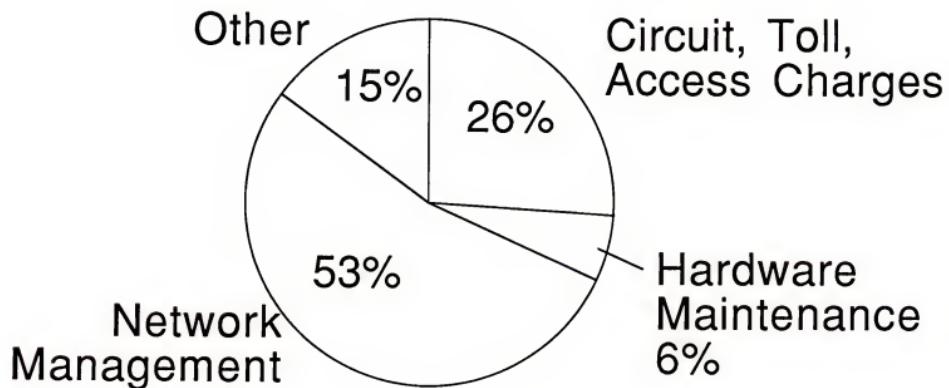


卷之三

Vendor Functions Provided

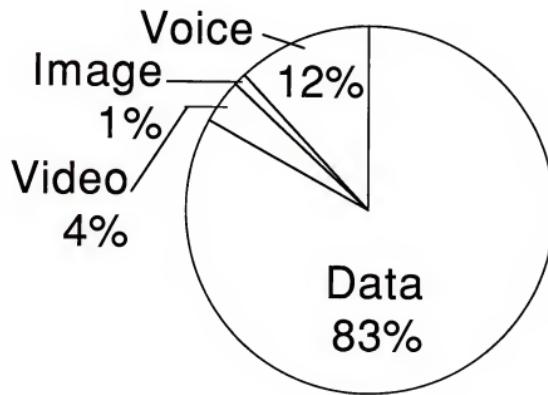


Vendor Revenue by Type of Service



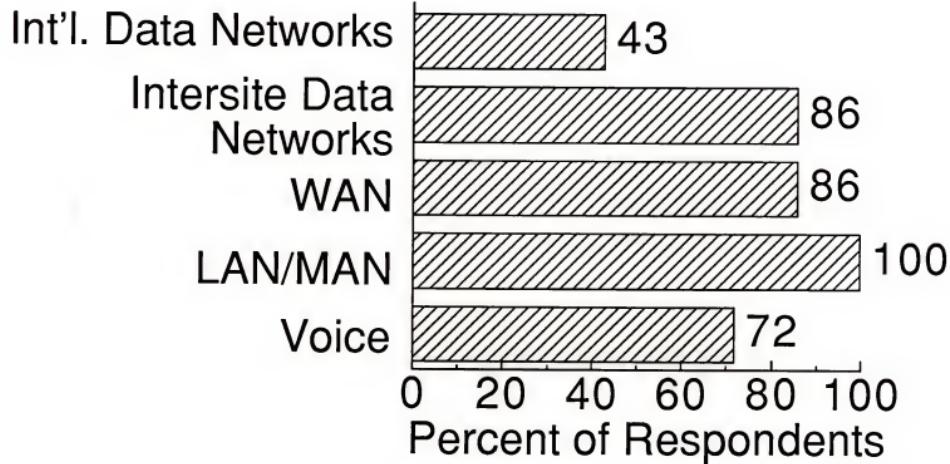


Network Management Market





User Networks Outsourced



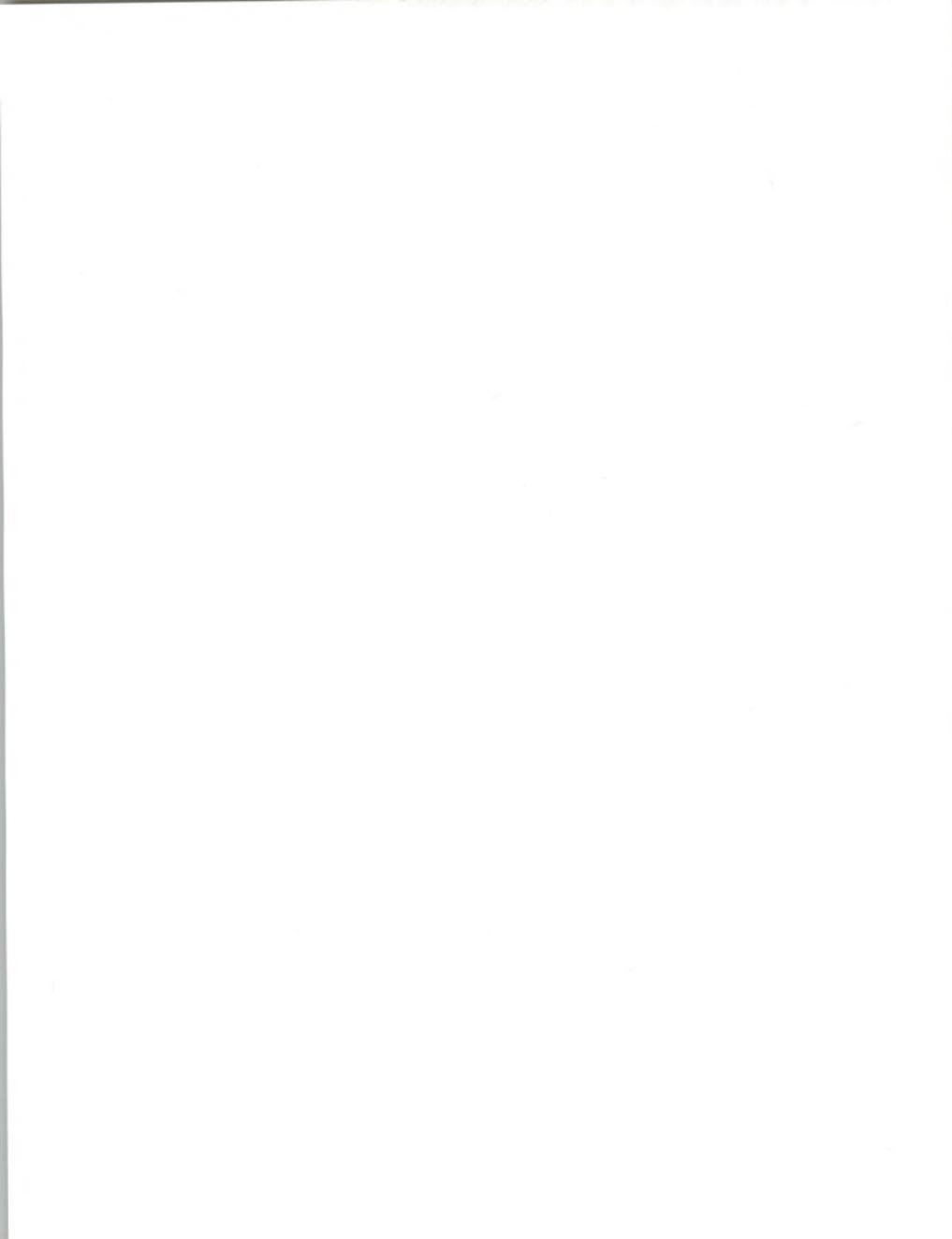
Desktop Services

A Key Outsourcing Opportunity

OU-65
4/15/92

Elements of Desktop Services

- PC/workstation and software procurement/installation
- PC/workstation maintenance
- Client/server management



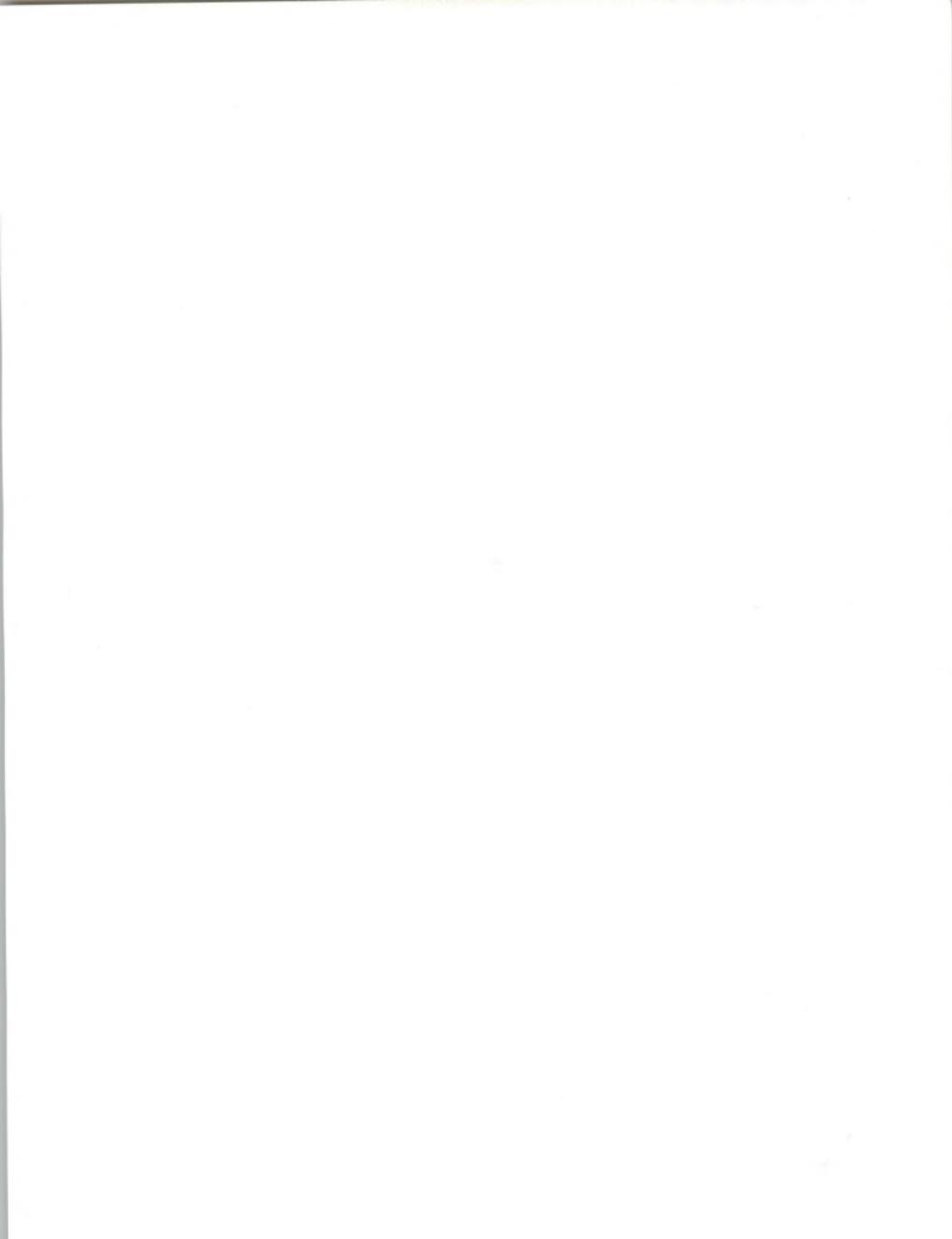
Elements of Desktop Services

- LAN administration
- LAN expansion
- Help desk functions
- User training



Elements of Desktop Services

- LAN installation and expansion
- LAN management
- Network interface management



Elements of Desktop Services

- Logistics management
- User support
- Help desk functions
- User training and education



Desktop Services Providers

Current

- EDS
- DEC
- ISSC
- SHL Systemhouse
- Computerland
- JWP



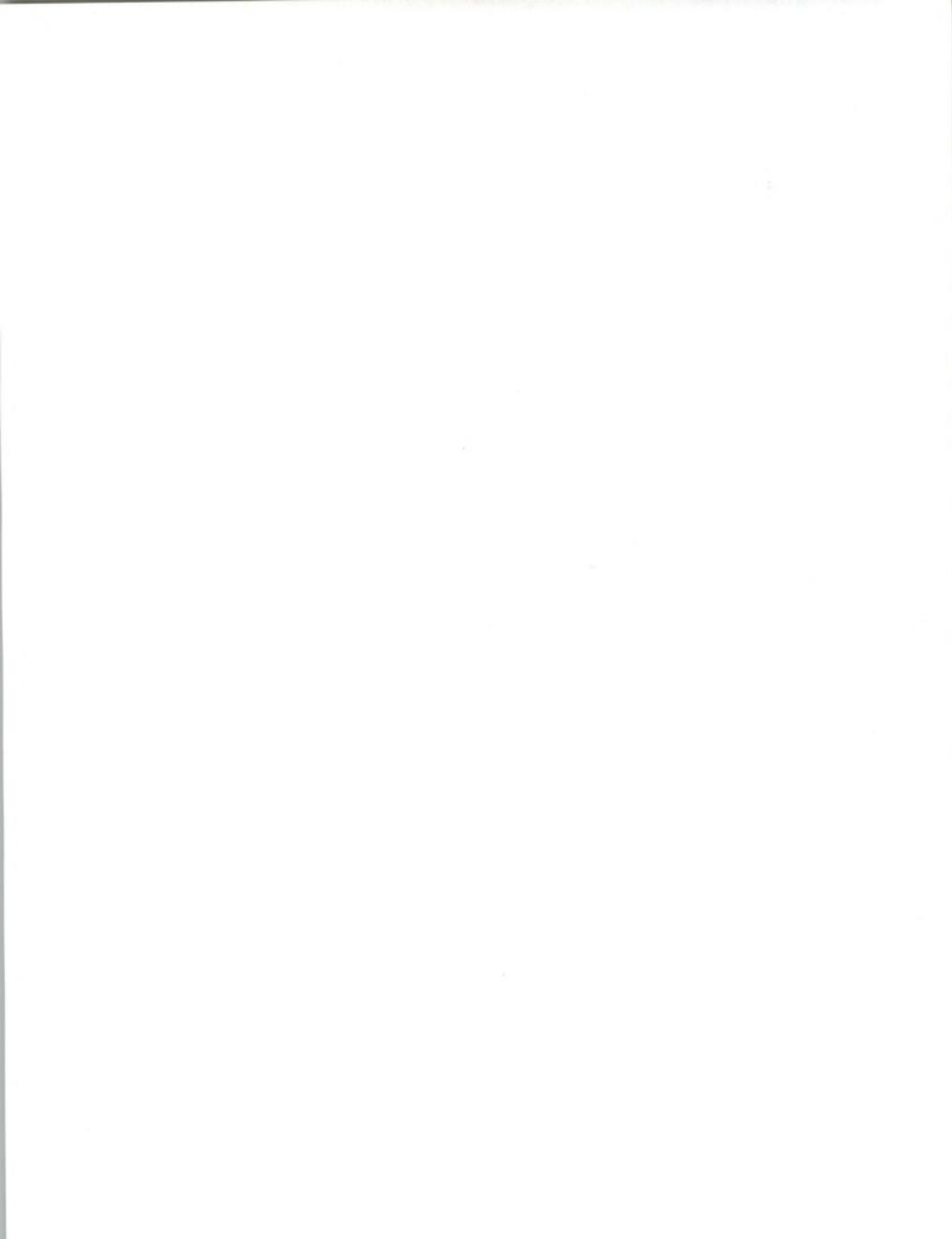
Desktop Services Providers

- Potential
 - Integris
 - Bell Atlantic
 - Sears Business Center

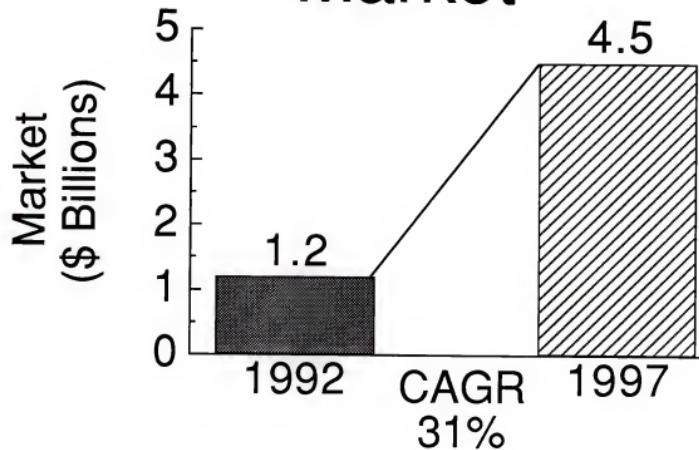


Desktop Services User Concerns

- Core Business Focus
- Downsizing
- PC/LAN Based Applications
- Technological Change



U.S. Desktop Services Market



OU-71
11/11/92



Typical Desktop Contracts in the U.S.

OU-72
4/15/92



JWP/Kodak

- Part III of large outsourcing contract (ISSC/DEC)
- Provide
 - PC/workstation maintenance
 - Software upgrade
 - Help desk services



EDS/GE

- Contract valued at \$500 million (5 yrs.)
- Provides:
 - PC/workstation central purchasing
 - Establishment of product specs
 - PC/workstation maintenance
 - Software upgrade and training
 - Help desk



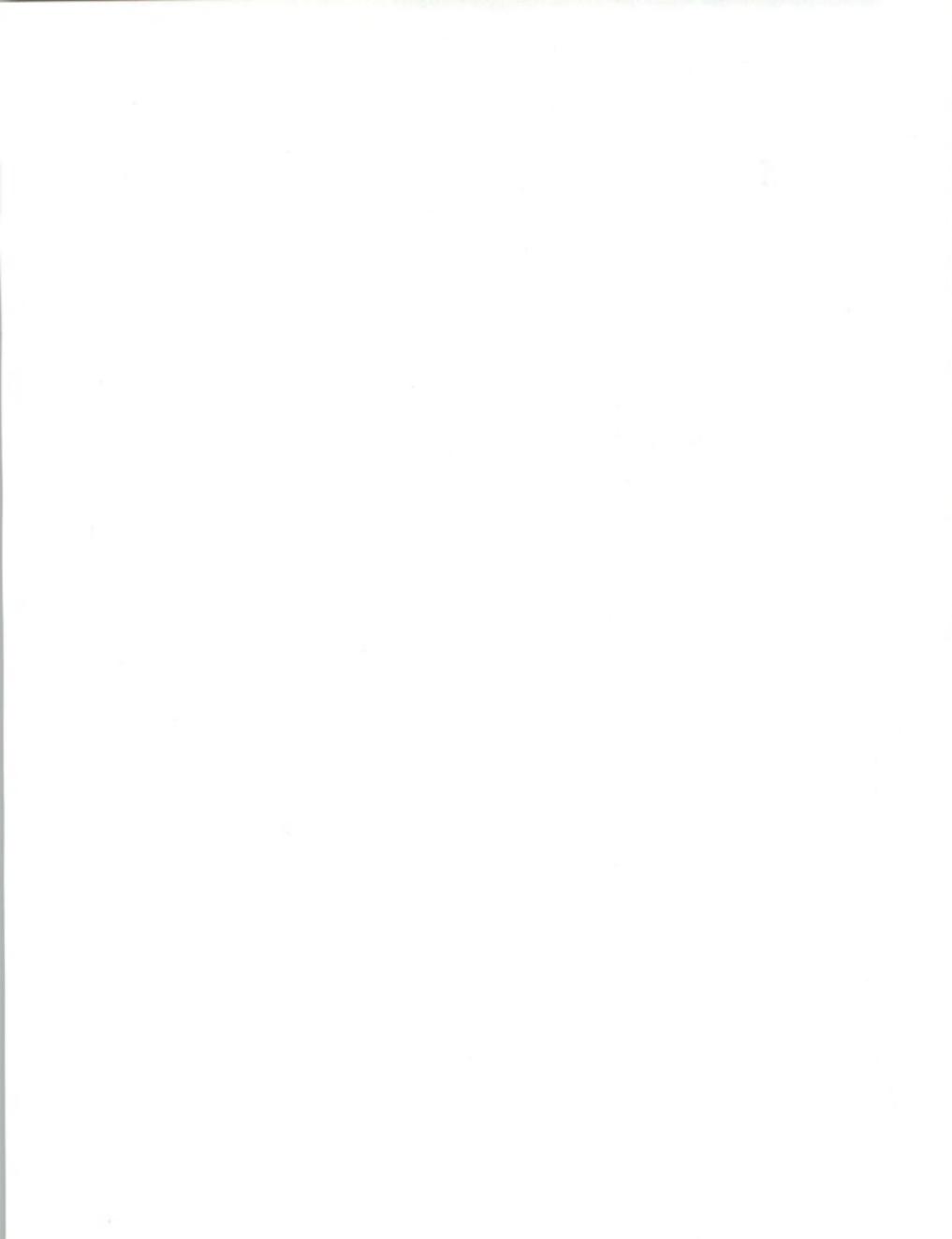
DEC/Blockbuster Video

- International contract
- Provides:
 - Implementation and start-up service
 - Connectivity to network
 - Help desk
 - Hardware and software upgrade



ISSC/Zale Corp.

- Part of large outsourcing contract
- Provides:
 - PC/workstation maintenance
 - Software upgrade
 - Help desk



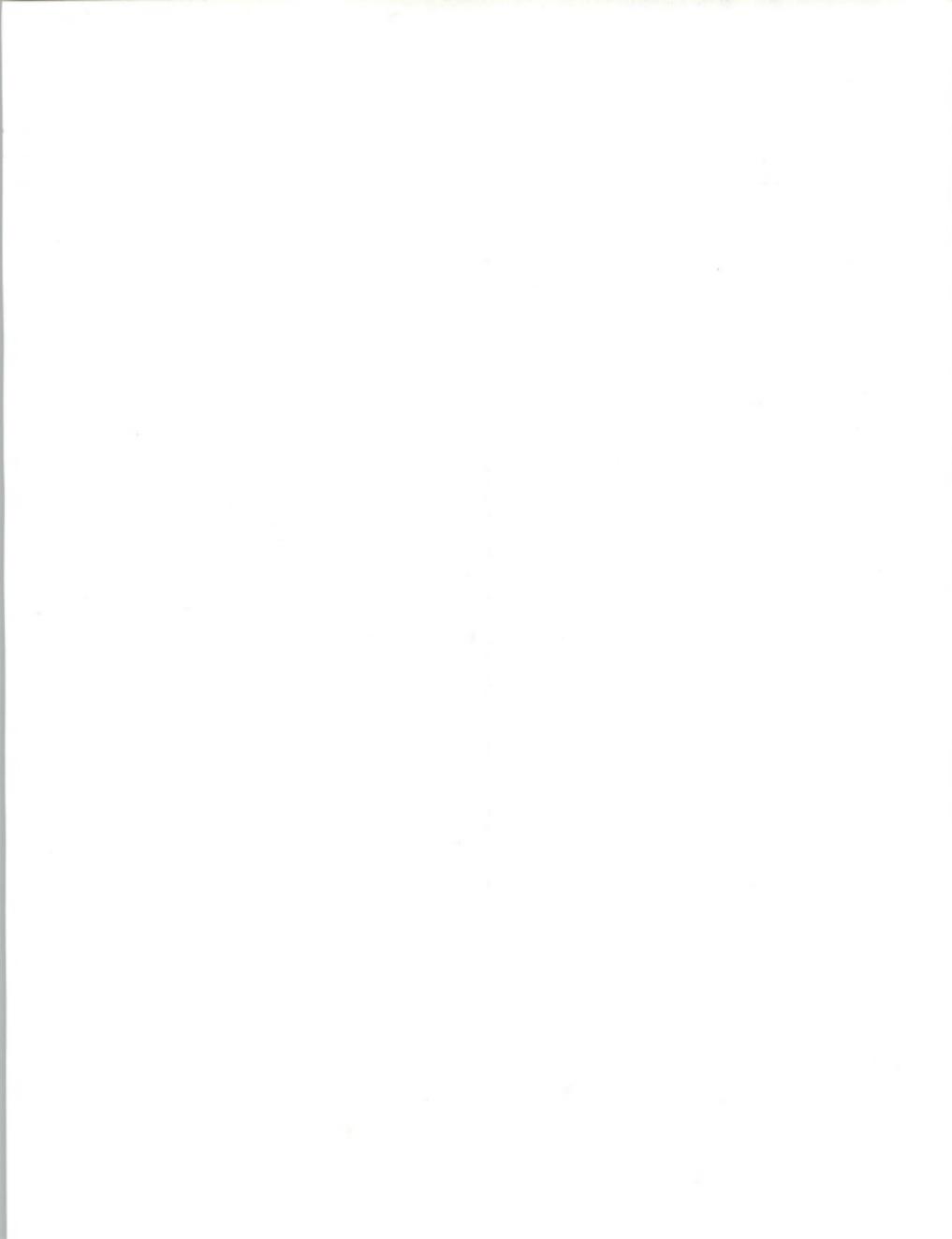
ISSC/Zale Corp.

- Part of large outsourcing contract
- Provides:
 - PC/workstation maintenance
 - Software upgrade
 - Help desk

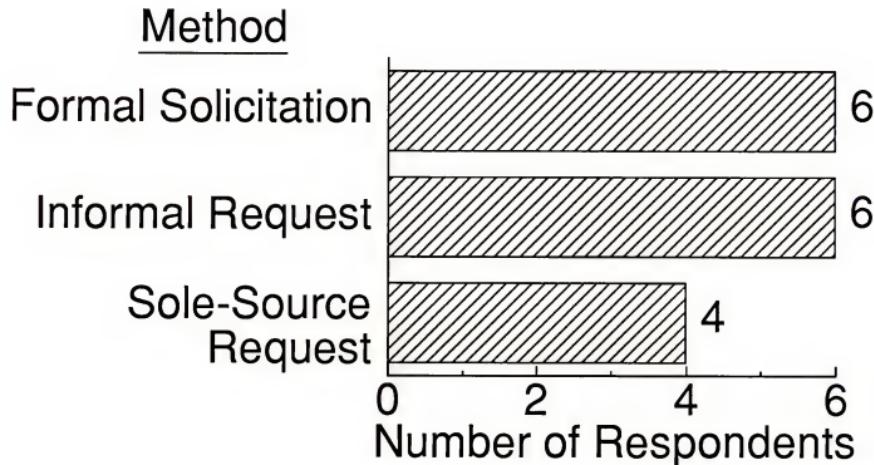


Benefits of Desktop Services

- Clients regain control over PCs
- Management shifts to vendor
- Expenses are predictable
- Enhancements easier to implement
- Standards are a by-product



Vendor Solicitation Methods



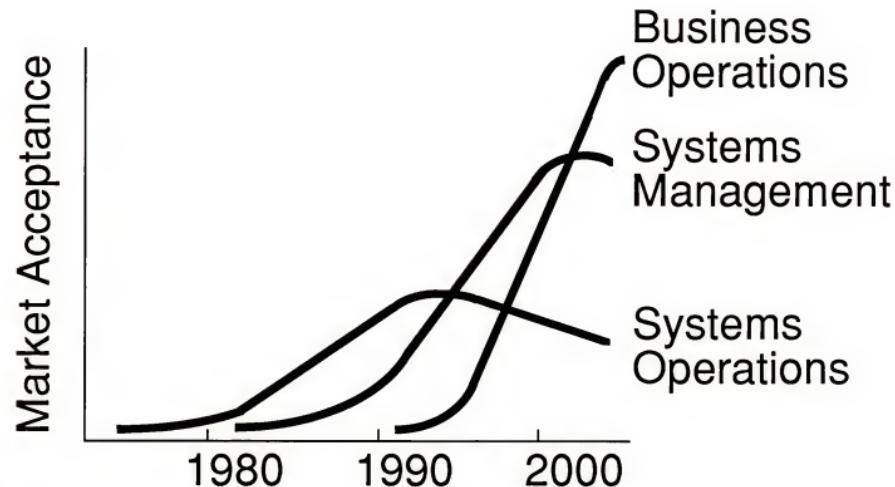


Information Systems Outsourcing

OU-83
6/10/92



Outsourcing Market Waves



OU-84
6/10/92



U.S. Outsourcing Market Forecast

OU-85
6/10/92

Outsourcing Market Trends/Issues

OU-86
6/10/92



Major Contracts

OU-87
6/10/92

Outsourcing Contracting and Pricing

OU-88
6/10/92

Value Pricing Concept

- Three components
 - Audience
 - Determine benefit
 - Cost of achieving benefit
- EDS and DEC

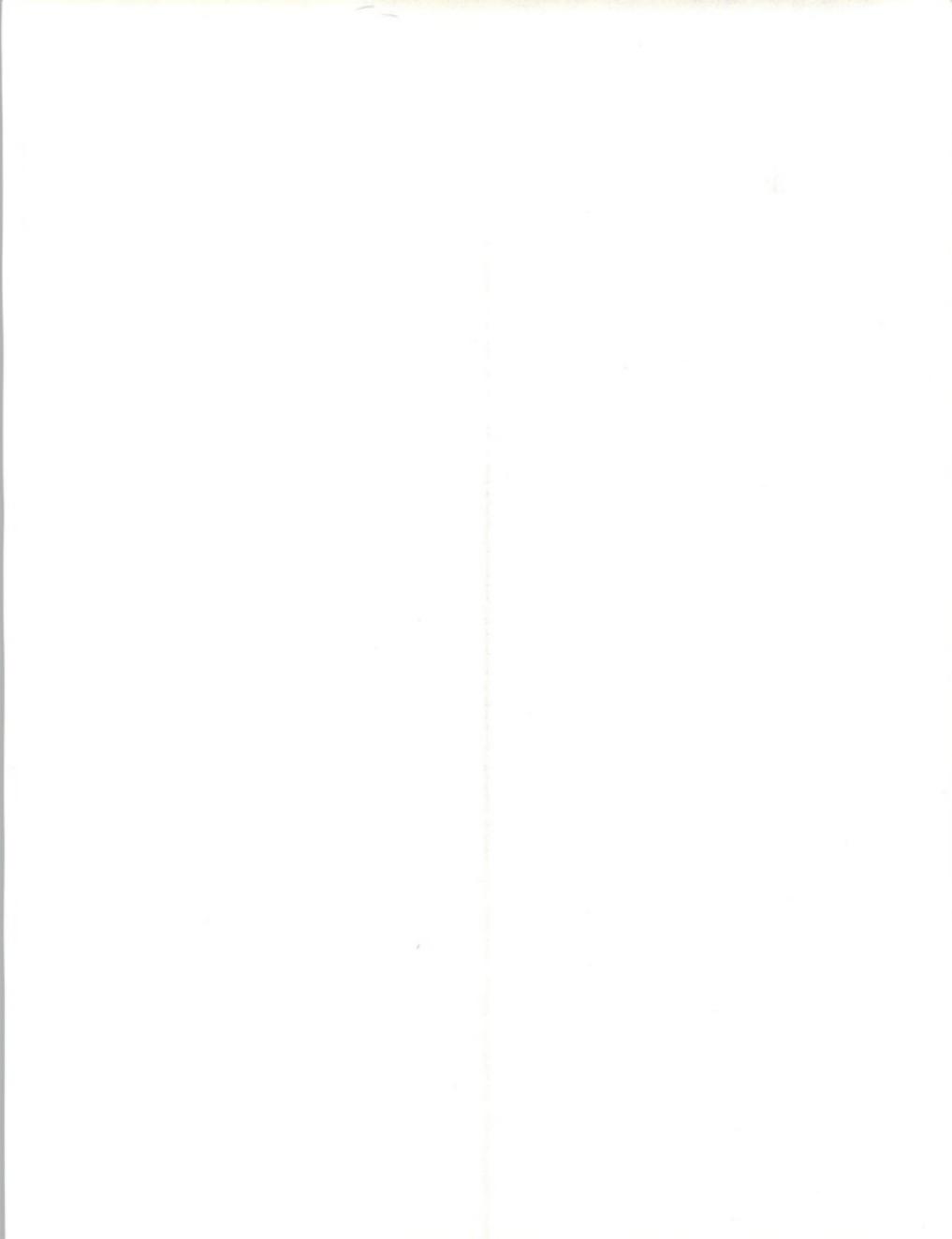
Market Diversification

OU-90
6/10/92



Business Operations Outsourcing

OU-91
6/10/92



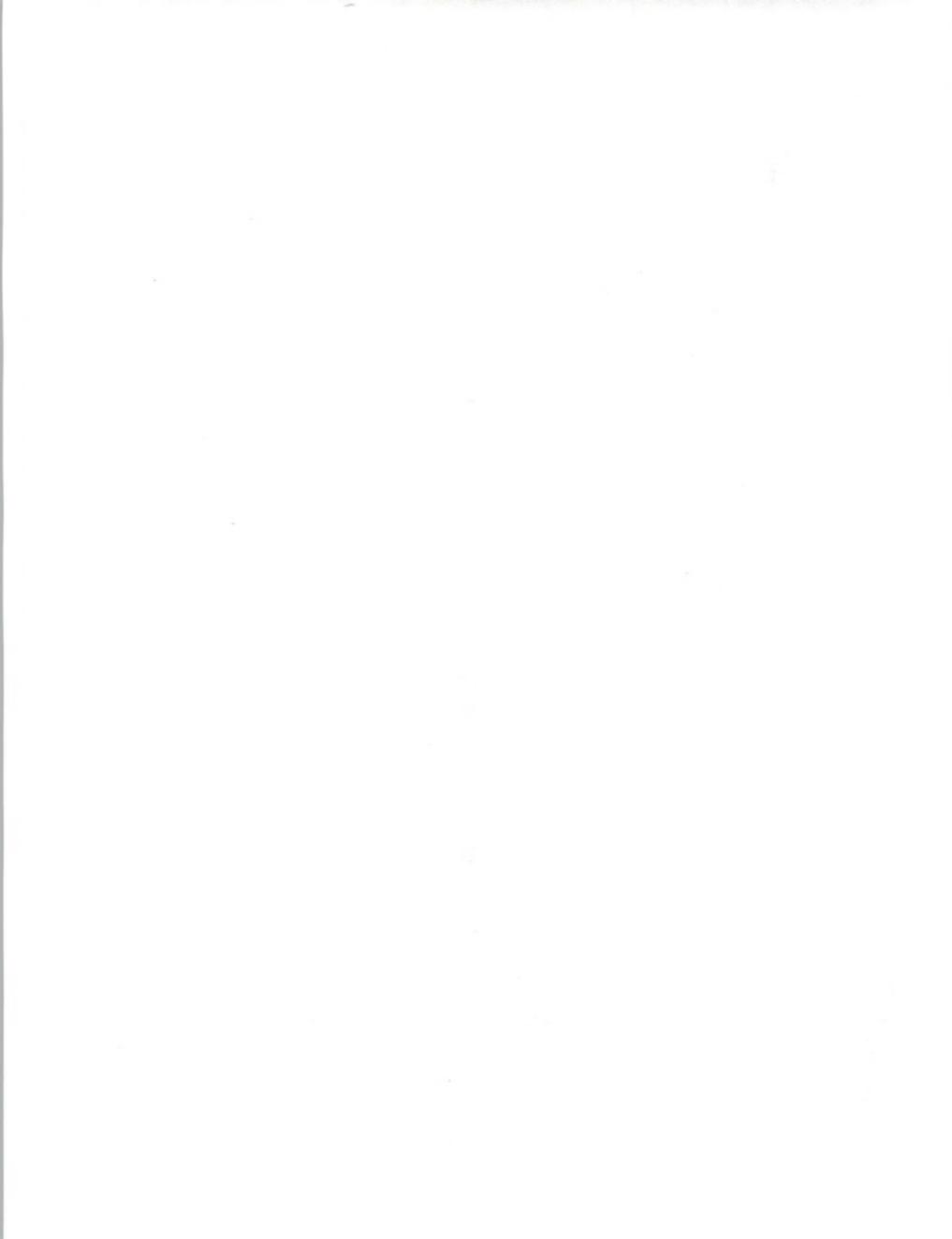
Transition Outsourcing

- Vendor manages current systems operations
- Client develops new systems
- Client transitions to new systems environment



Transition Outsourcing

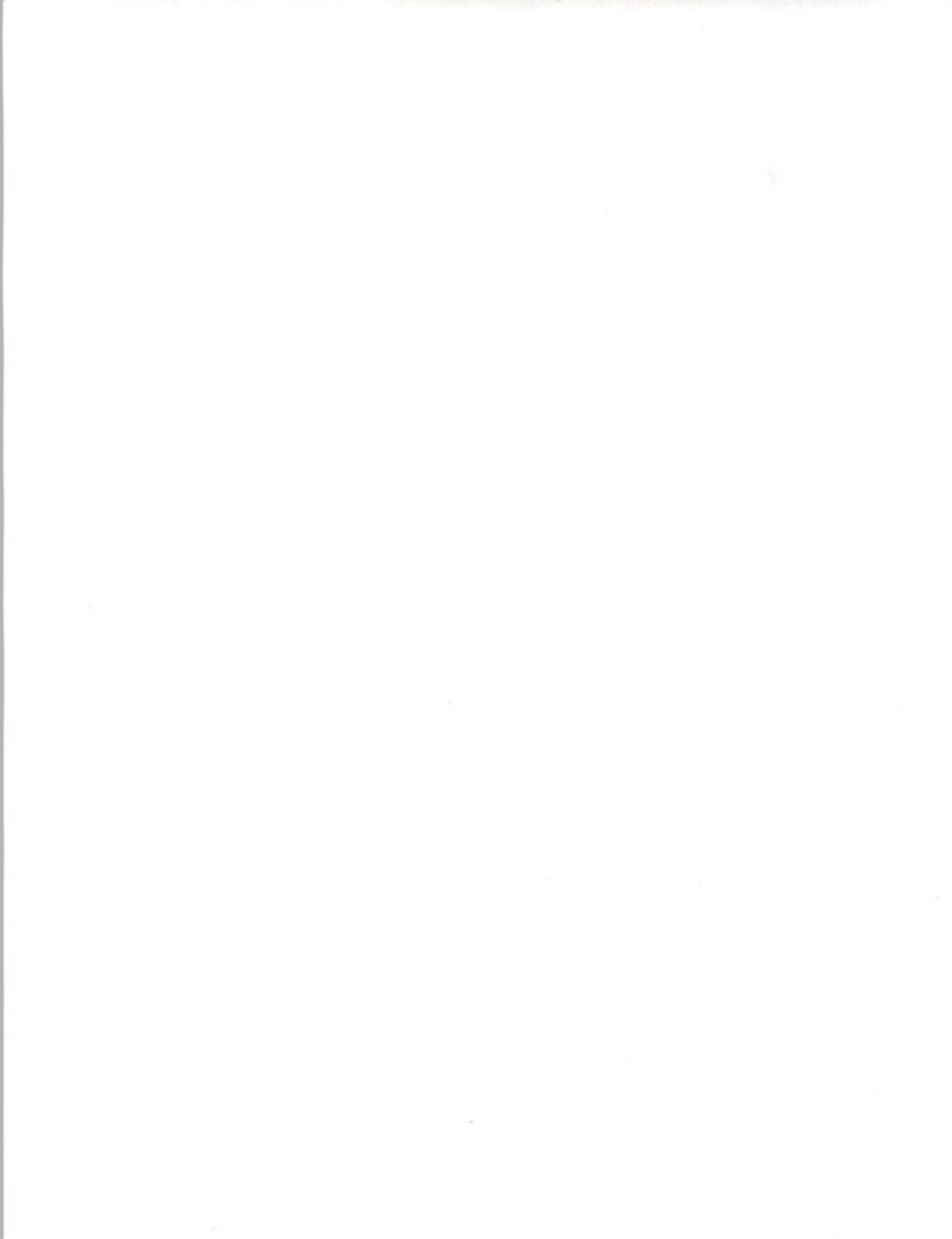
- Tool for management of change
- Controlled phase-out approach
- Management of existing operations
- Short-term agreement



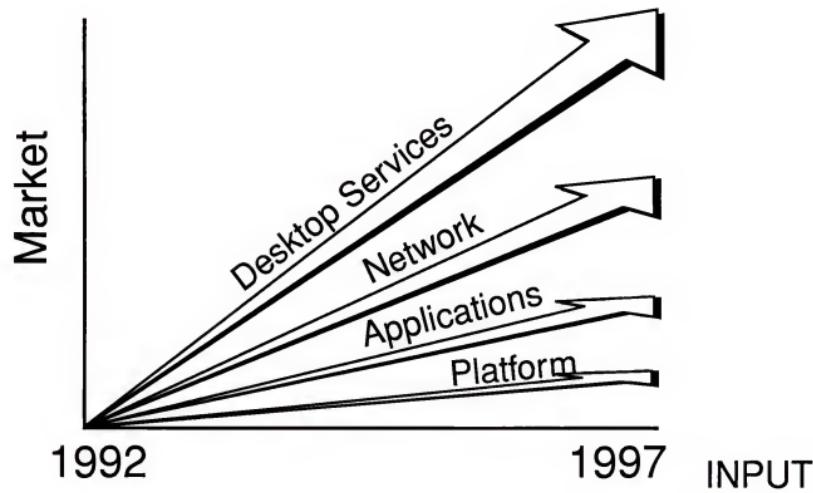
Typical Transition Contracts

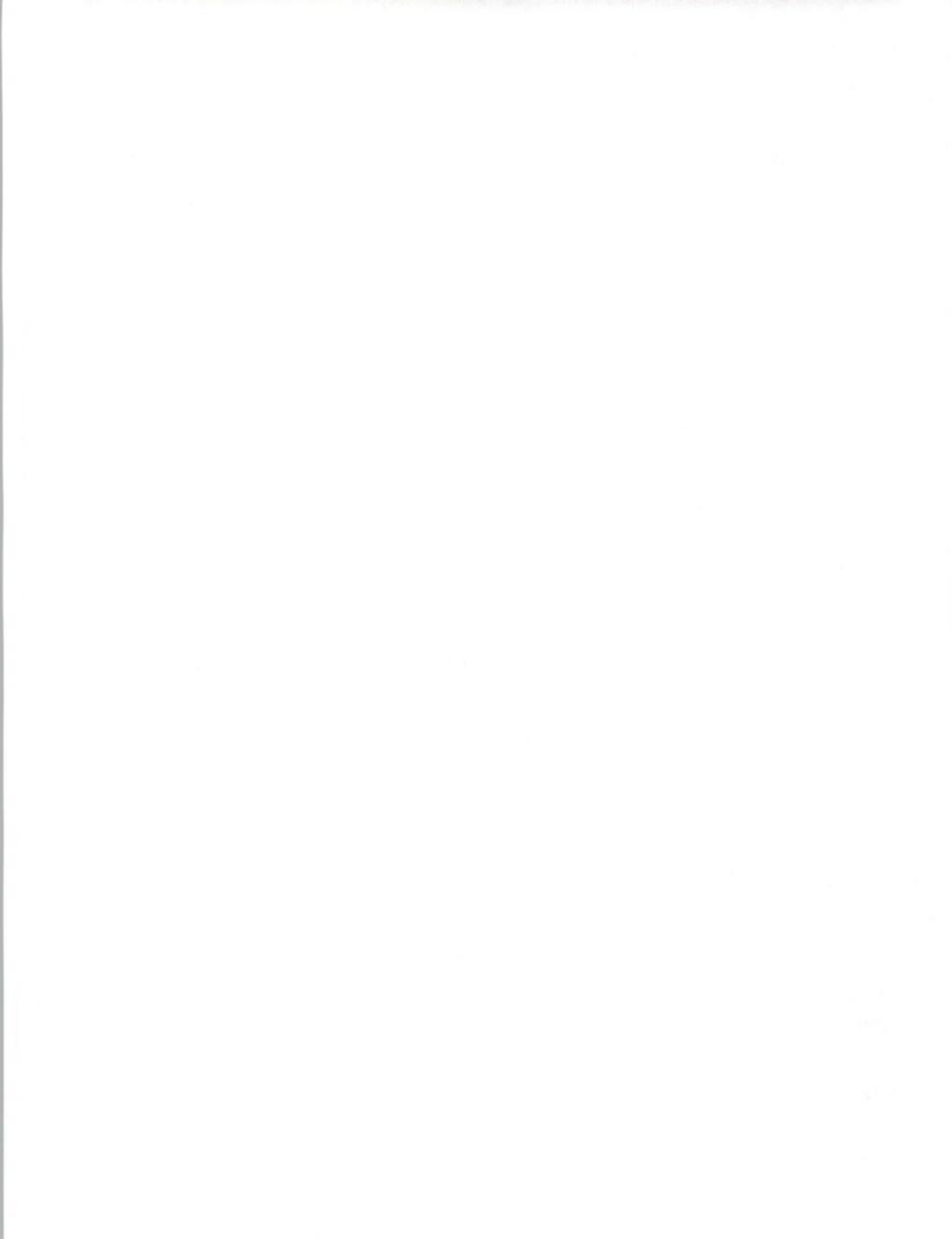
Client	Vendor	Value (\$M)
Dial Corp.	Andersen	10
Revlon, Inc.	Andersen	2
Penrod Drilling	EDS	2
Combustion Engr.	Power	1
Freeport-McMoran	ISSC (?)	10*

*Estimate

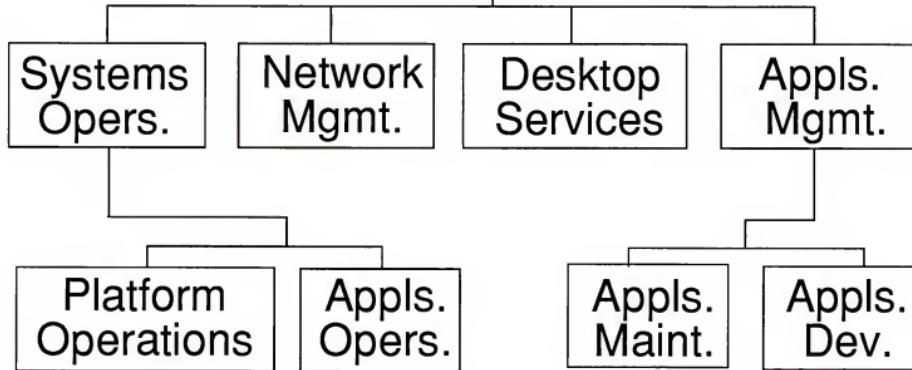


Changing Outsourcing Options





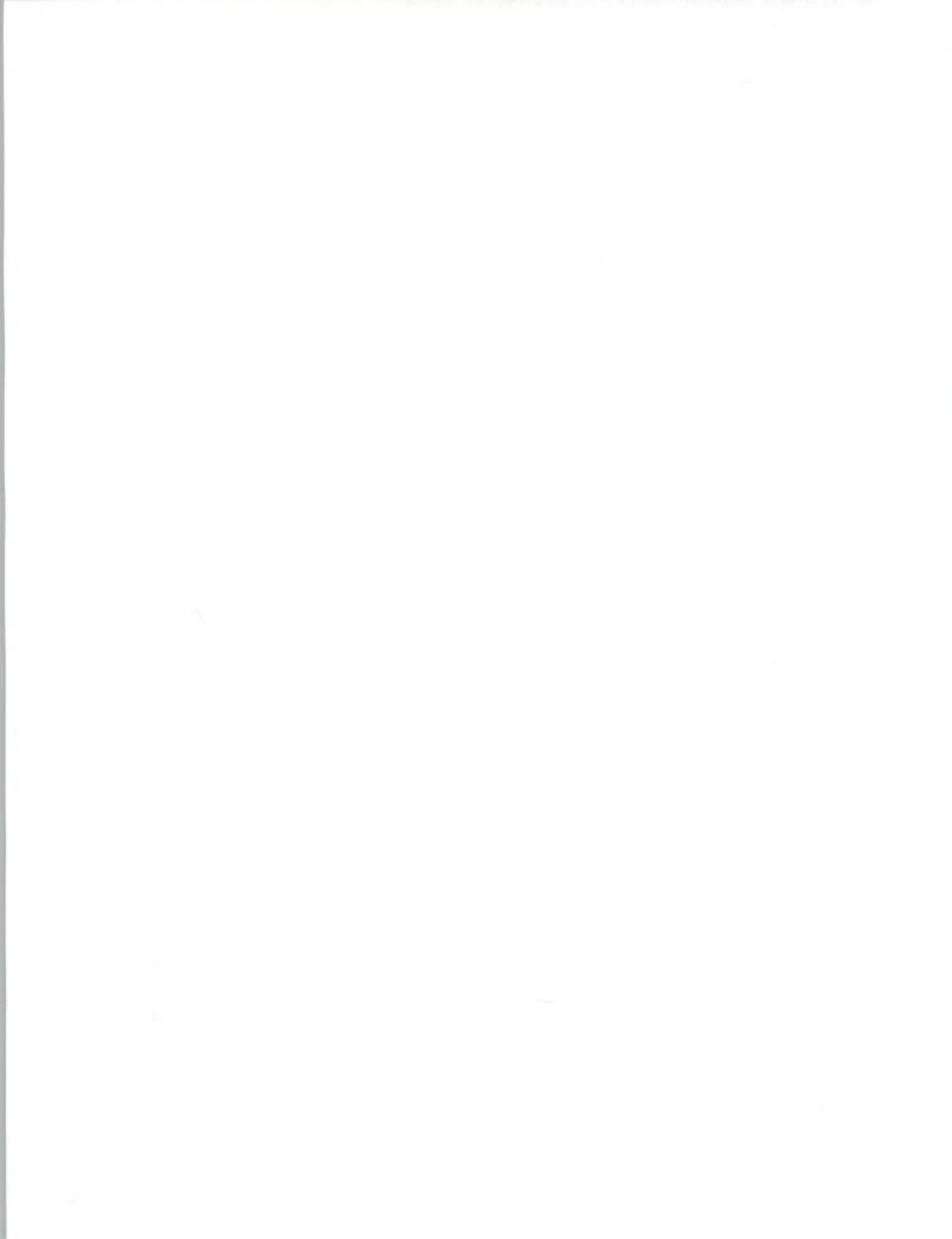
Outsourcing





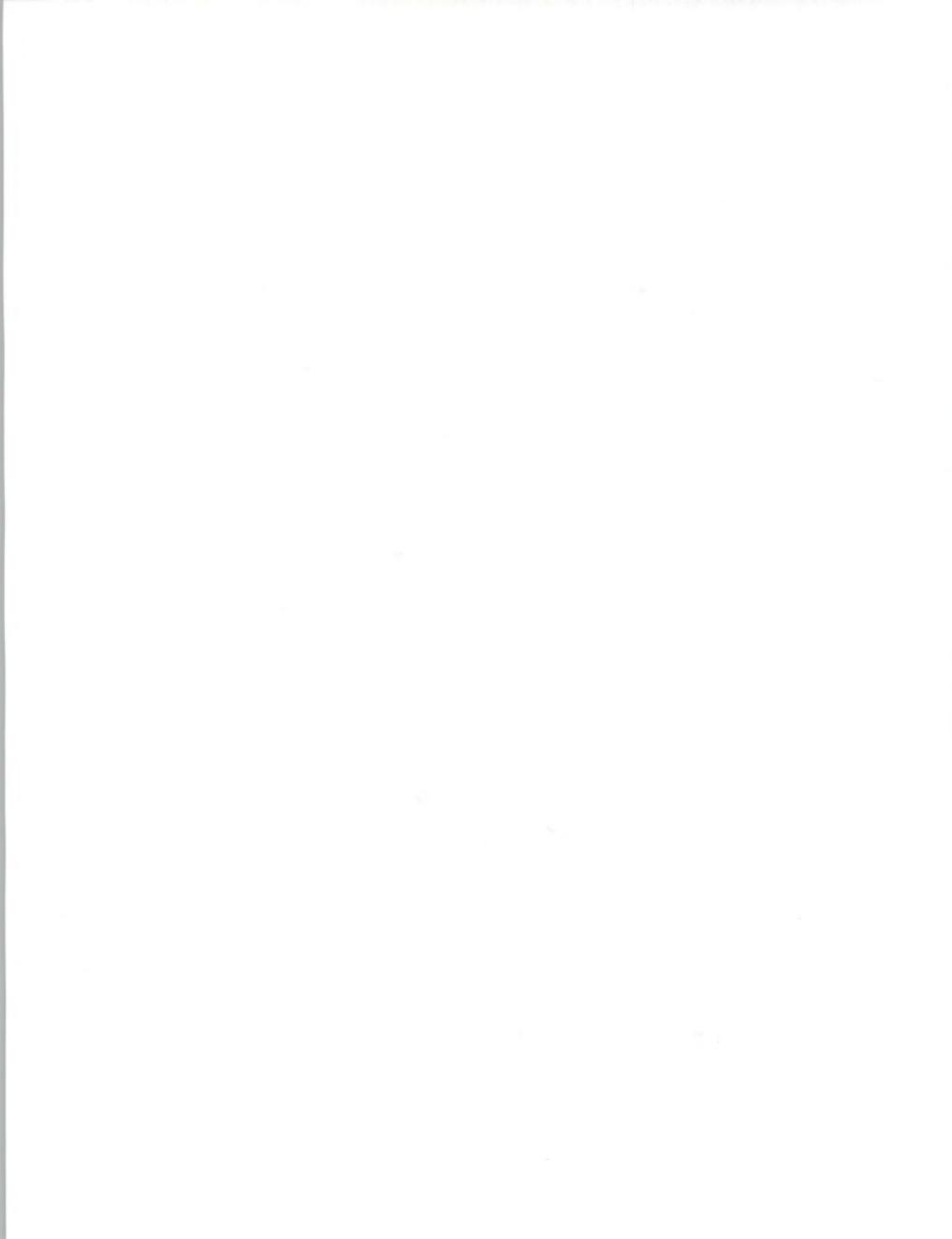
Drivers to Desktop Services

- Whole environment is new and complex
- IS departments lack skills, coverage and inclination
- Users lack skills and inclination
- Third parties are acceptable



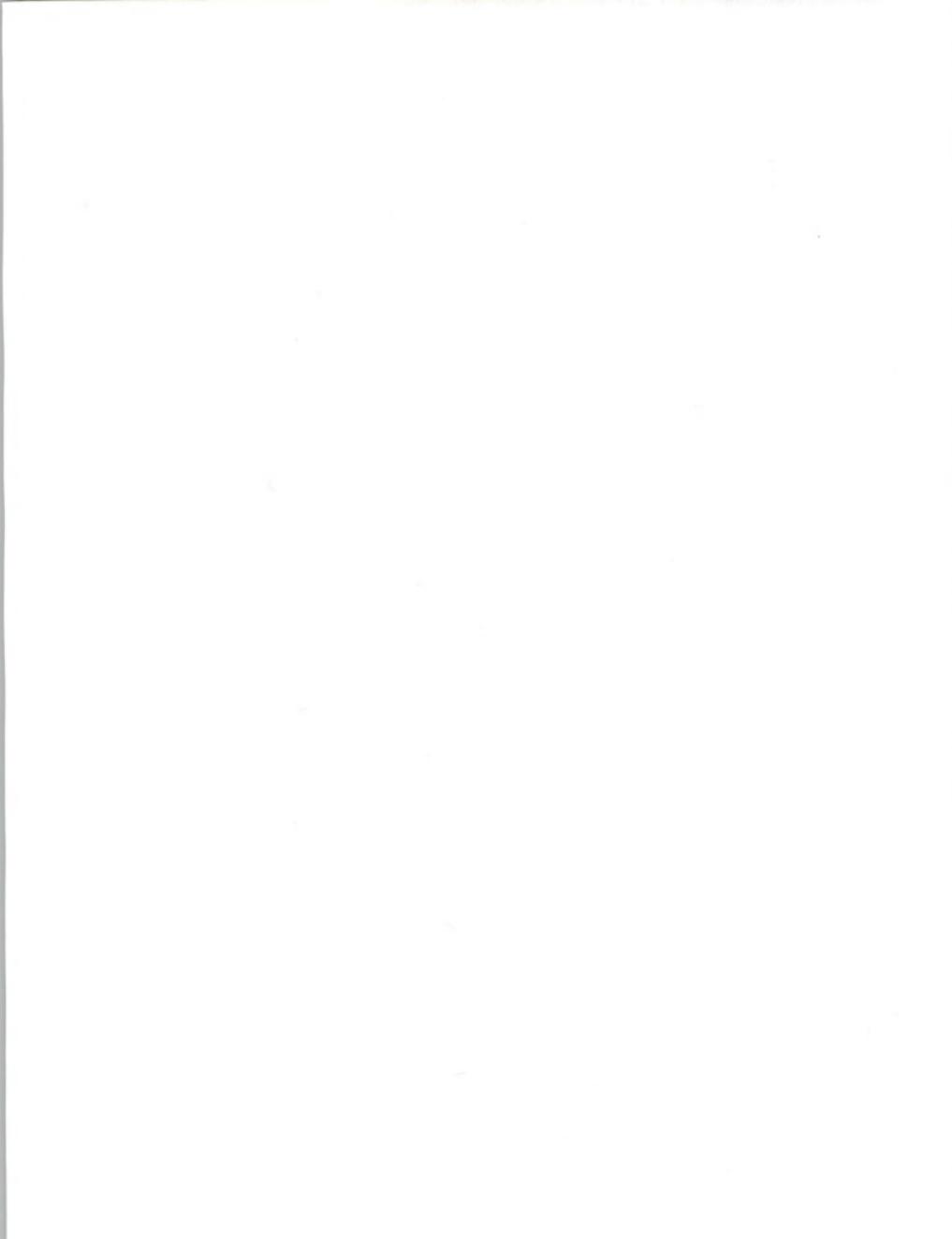
Opportunities for Desktop Services Suppliers

- Become equipment/software suppliers
- Direct contract with users creates SI/professional services opportunities



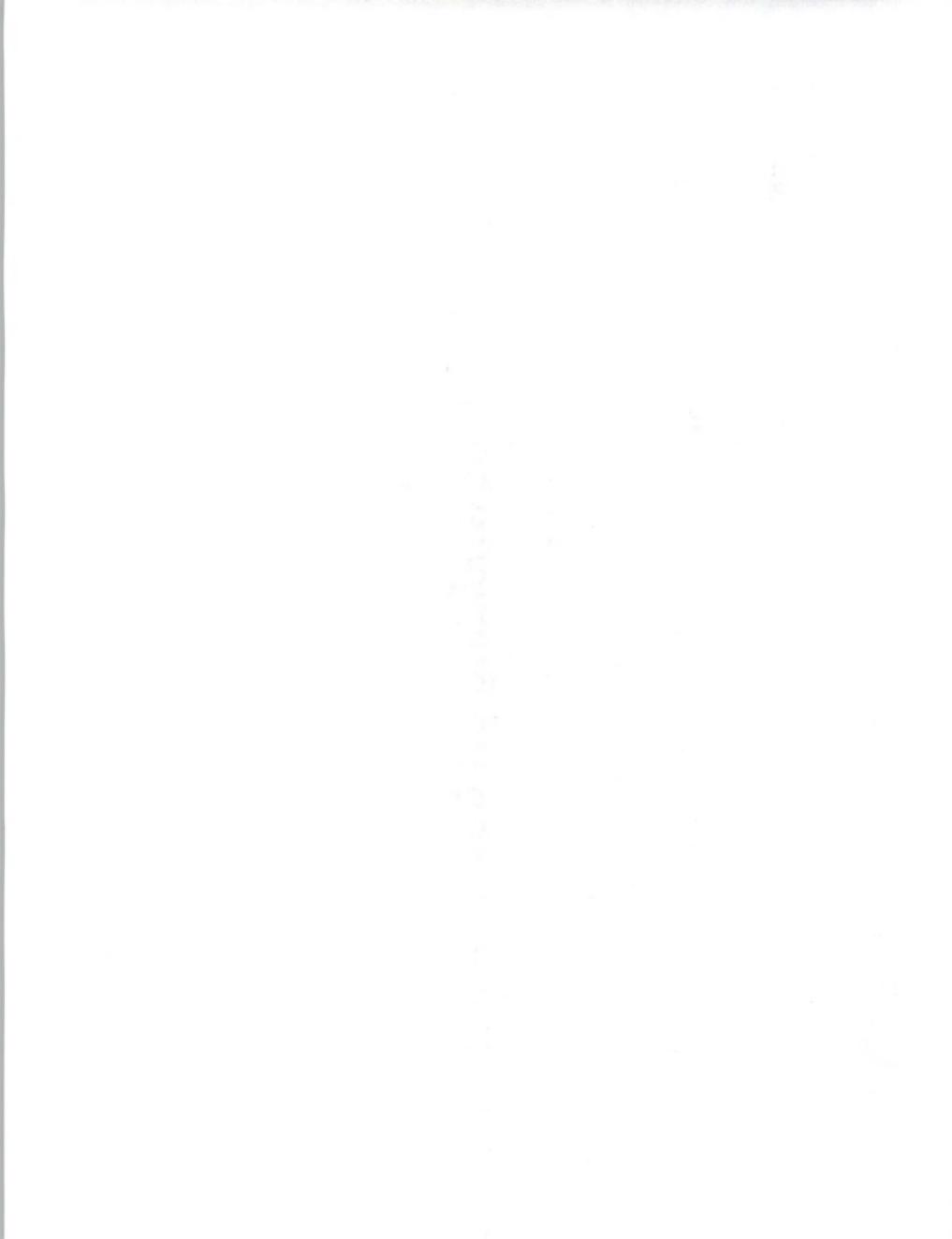
Opportunities for Desktop Services Suppliers

- Considerable 'add-on' potential, including
 - Telecommunication systems
 - Office (e.g., image) systems

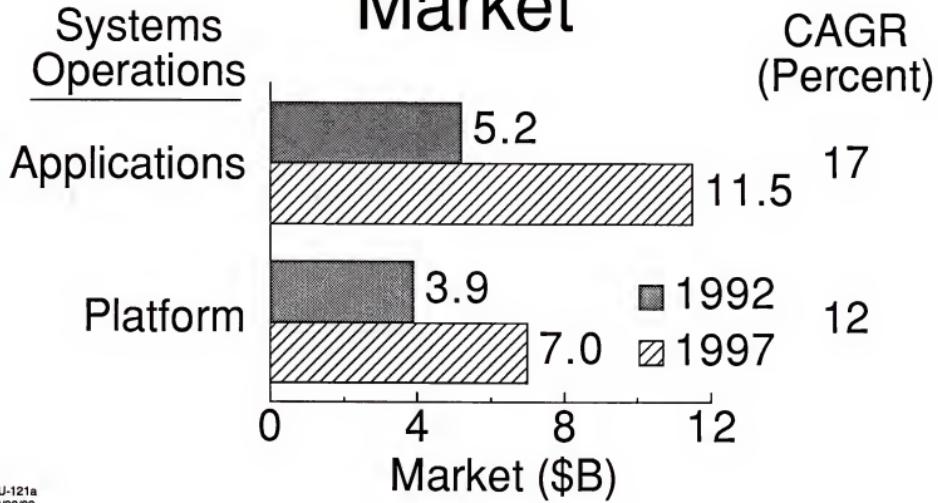


Introduction

- Changing outsourcing options
- Outsourcing strategies
- Impact of downsizing on outsourcing
- User concerns
- Vendor directions and strategies
- Conclusions/recommendations

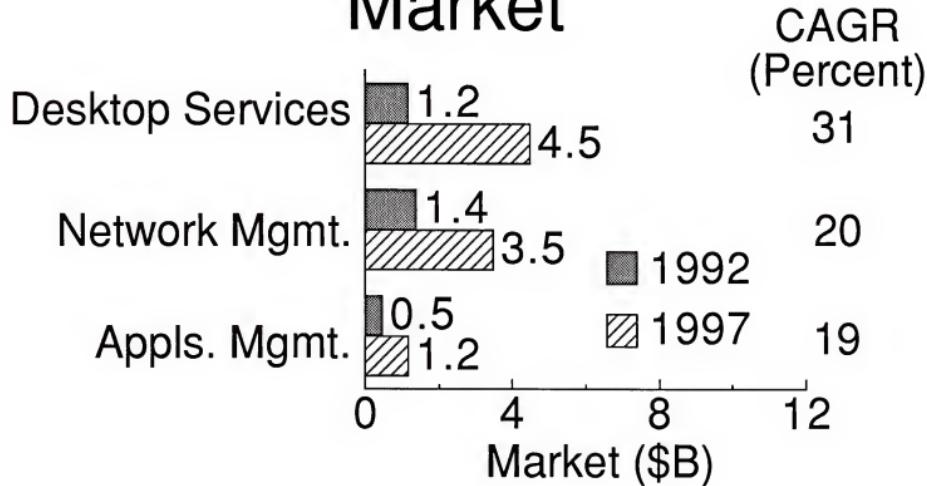


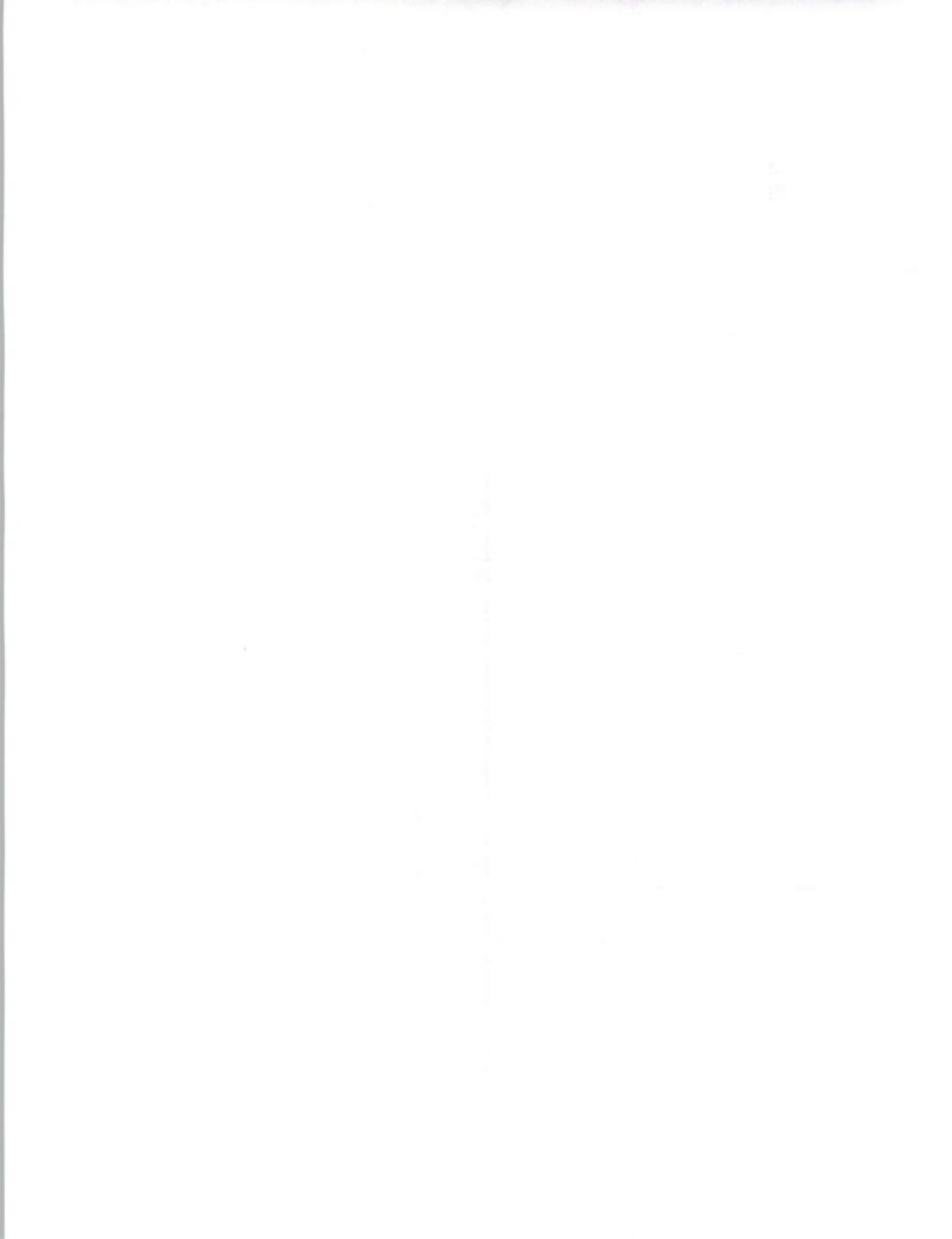
Changing Outsourcing Market





Changing Outsourcing Market





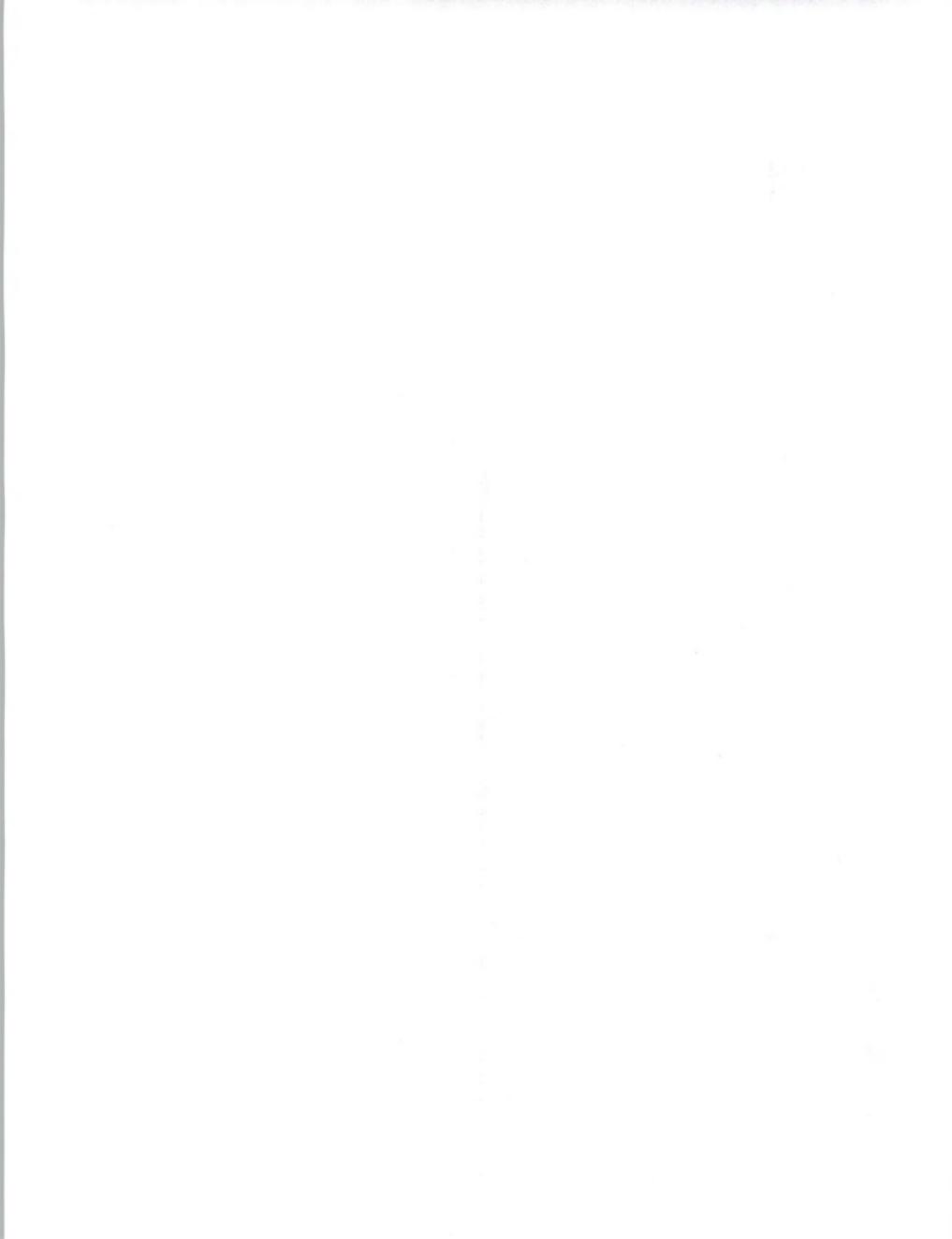
Current Outsourcing Strategies

- Economic strategy
- Service enhancement

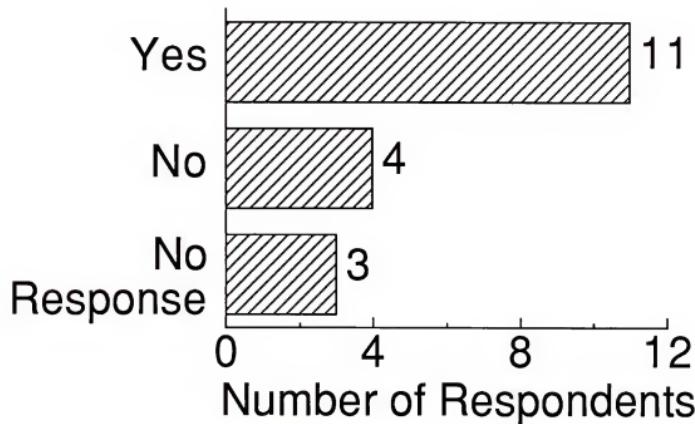


New Outsourcing Strategies

- Transition strategy
- Change agent
- Business strategy

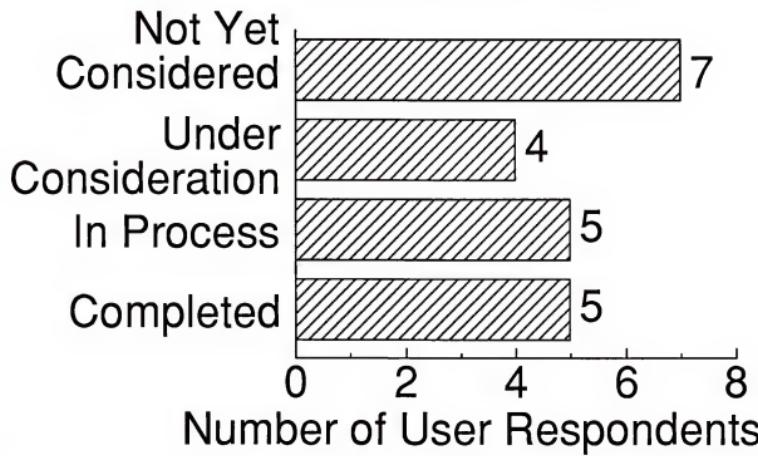


Both Outsourcing and Downsizing Viable?





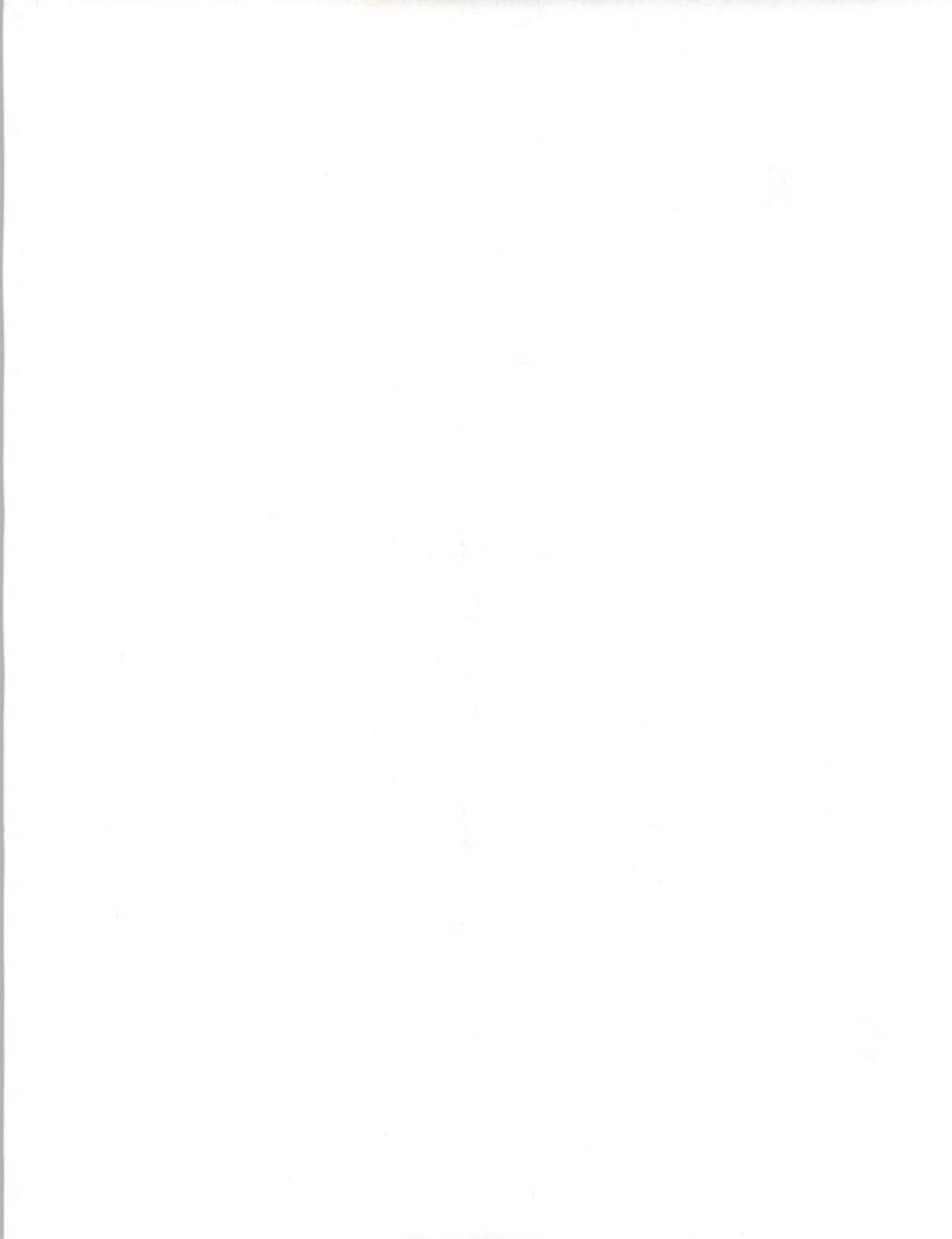
Impact of Downsizing on Outsourcing





Vendor Challenges

- Provide full service range
- Maintain flexible organization
- Meet growing network requirements
- Educate users on expectations



User Concerns

- Define requirements clearly
- Re-engineer business operations
- Control IT resources
- Keep up with technology change



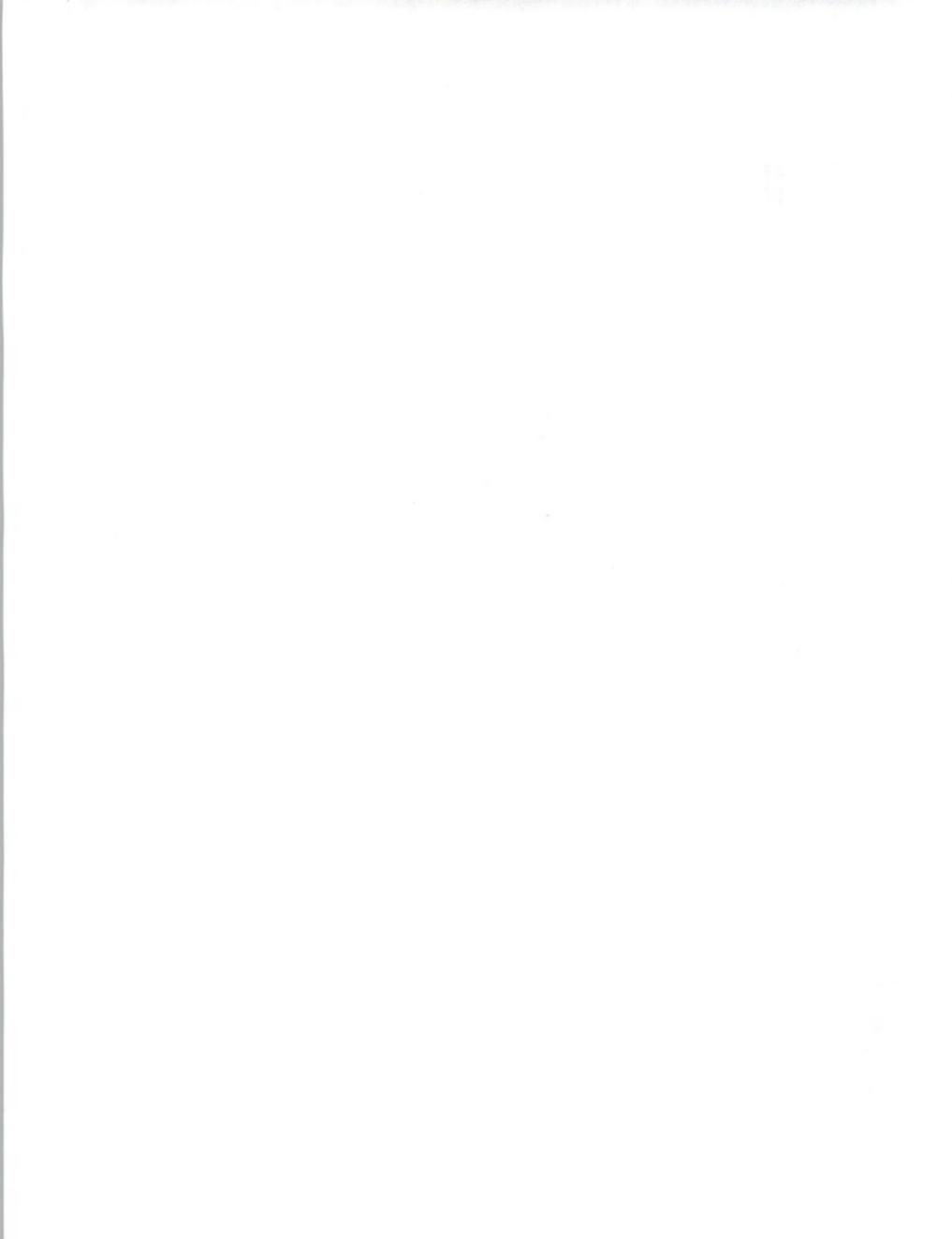
Vendor Strategies

- Ride the downsizing wave...
 - Applications management
 - Network management
 - Desktop services



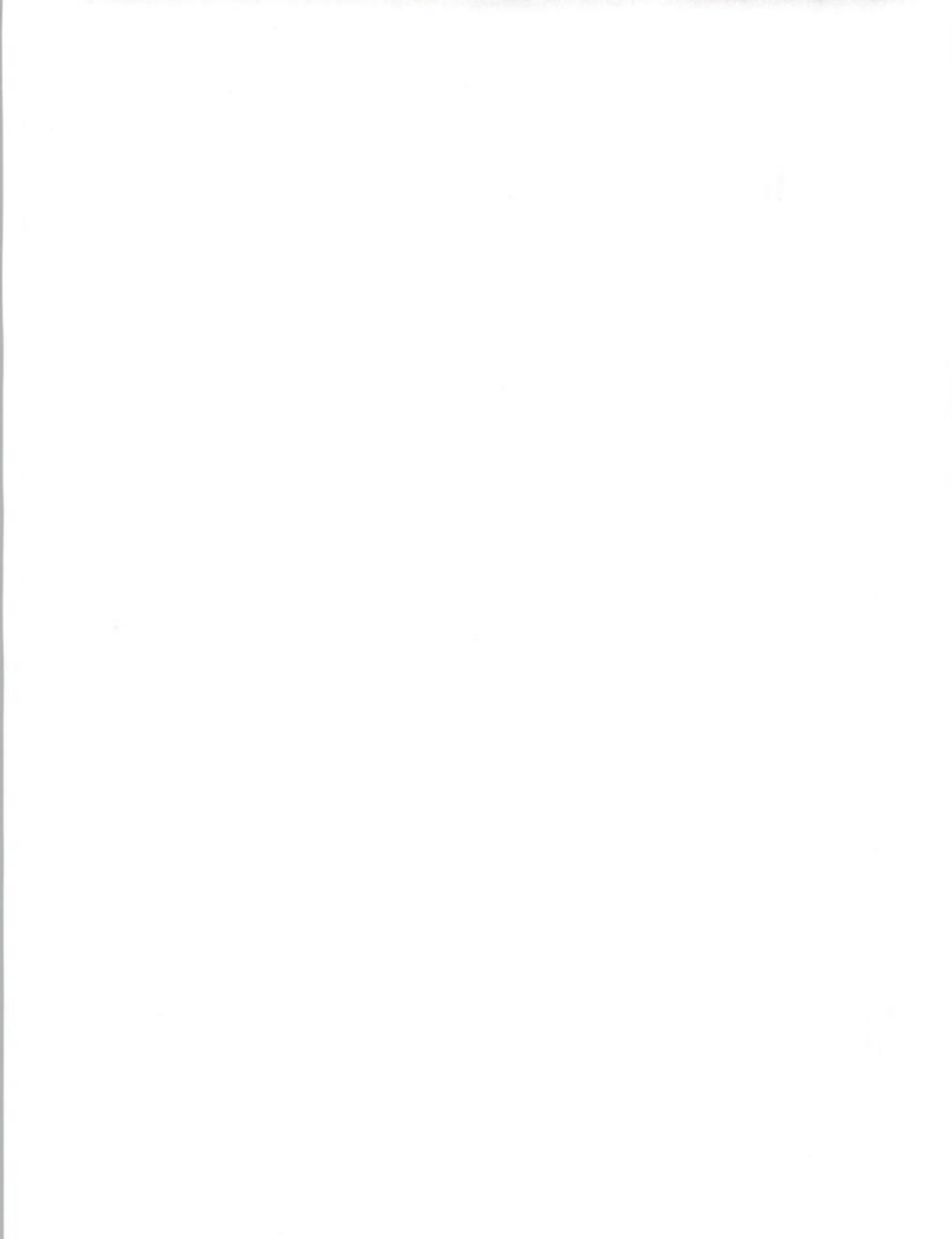
Conclusions

- Downsizing provides outsourcing opportunities
 - Short term
 - Transition management



Conclusions

- Downsizing provides outsourcing opportunities
 - Long term
 - Desktop services
 - Network management
 - Applications management



Conclusions

- Outsourcing vendors to assume new roles
 - System integrator
 - Network manager
 - Business manager



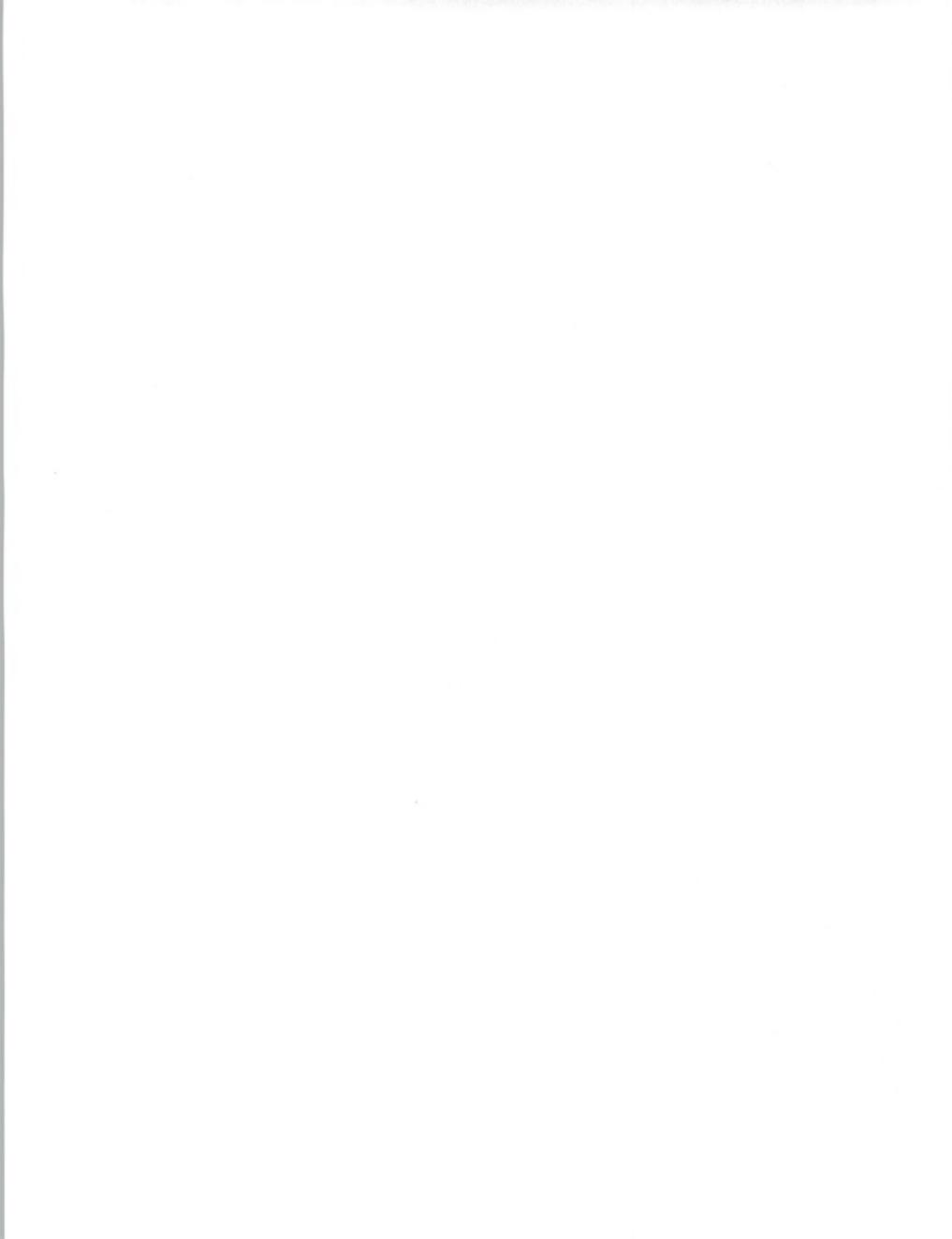
Introduction

- Elements of desktop services
- Market size
- User requirements/concerns
- Vendor strategies
- Conclusions and recommendations

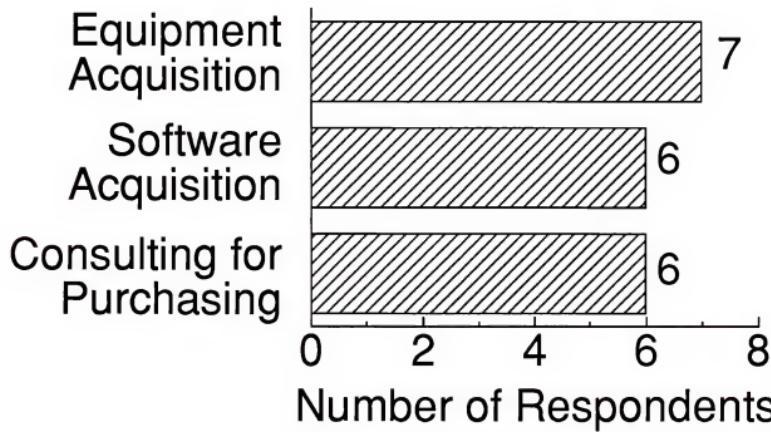


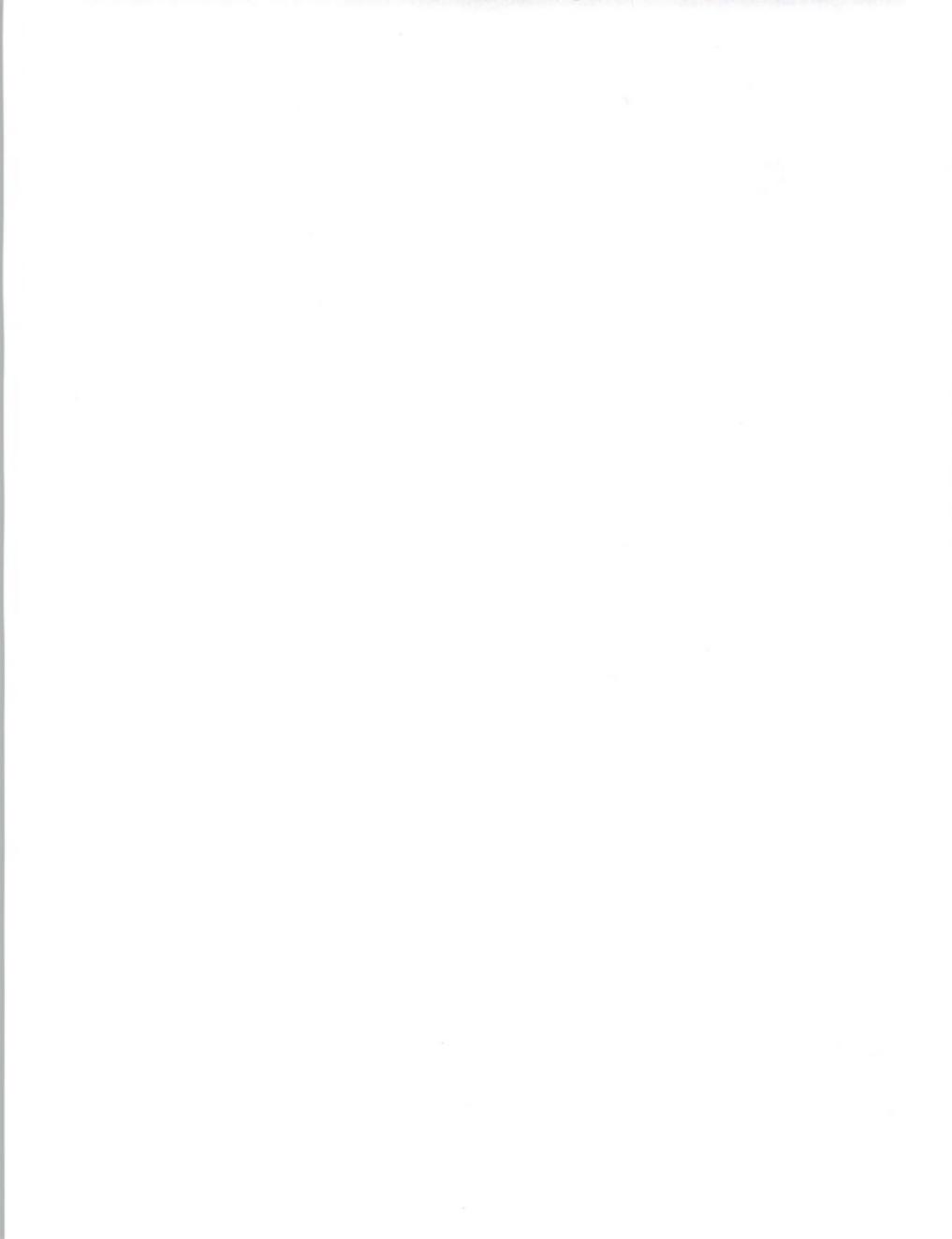
Elements of Desktop Services

OU-135
10/29/92

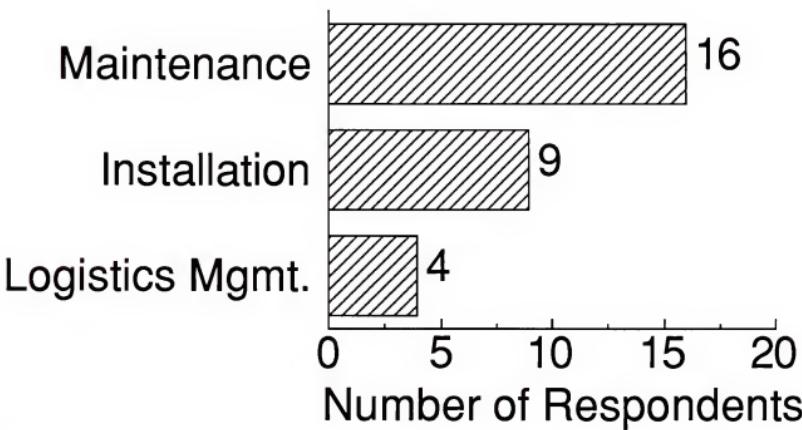


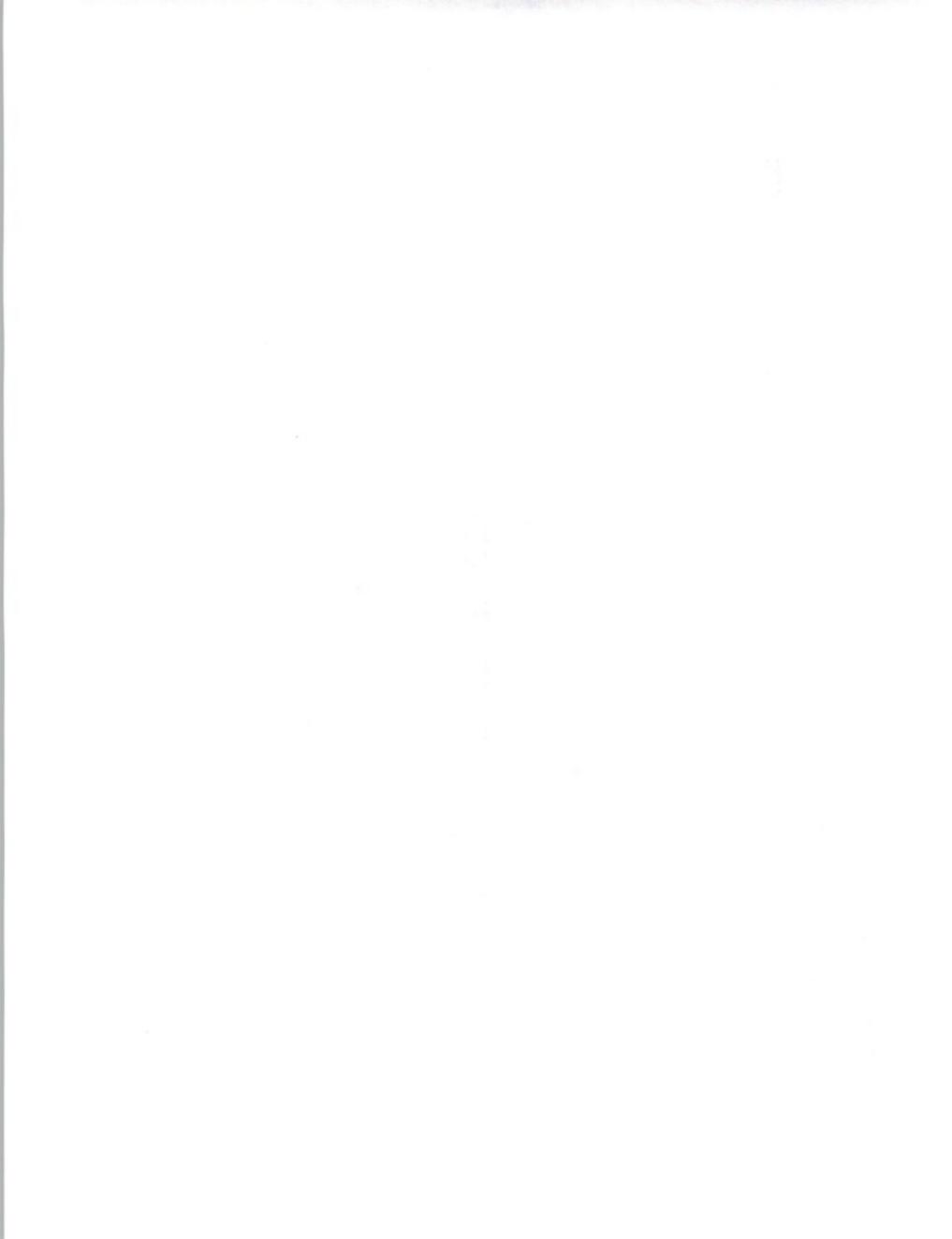
Supply Services Required



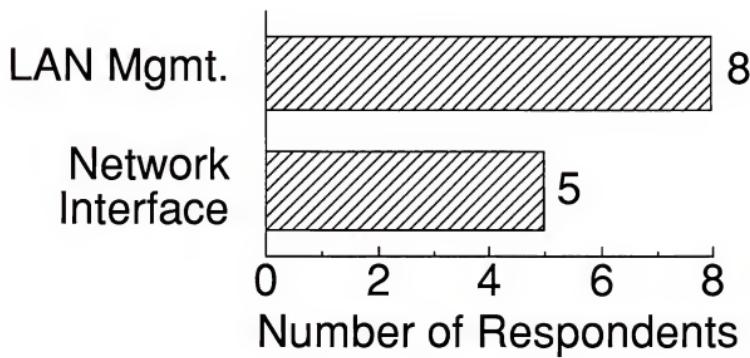


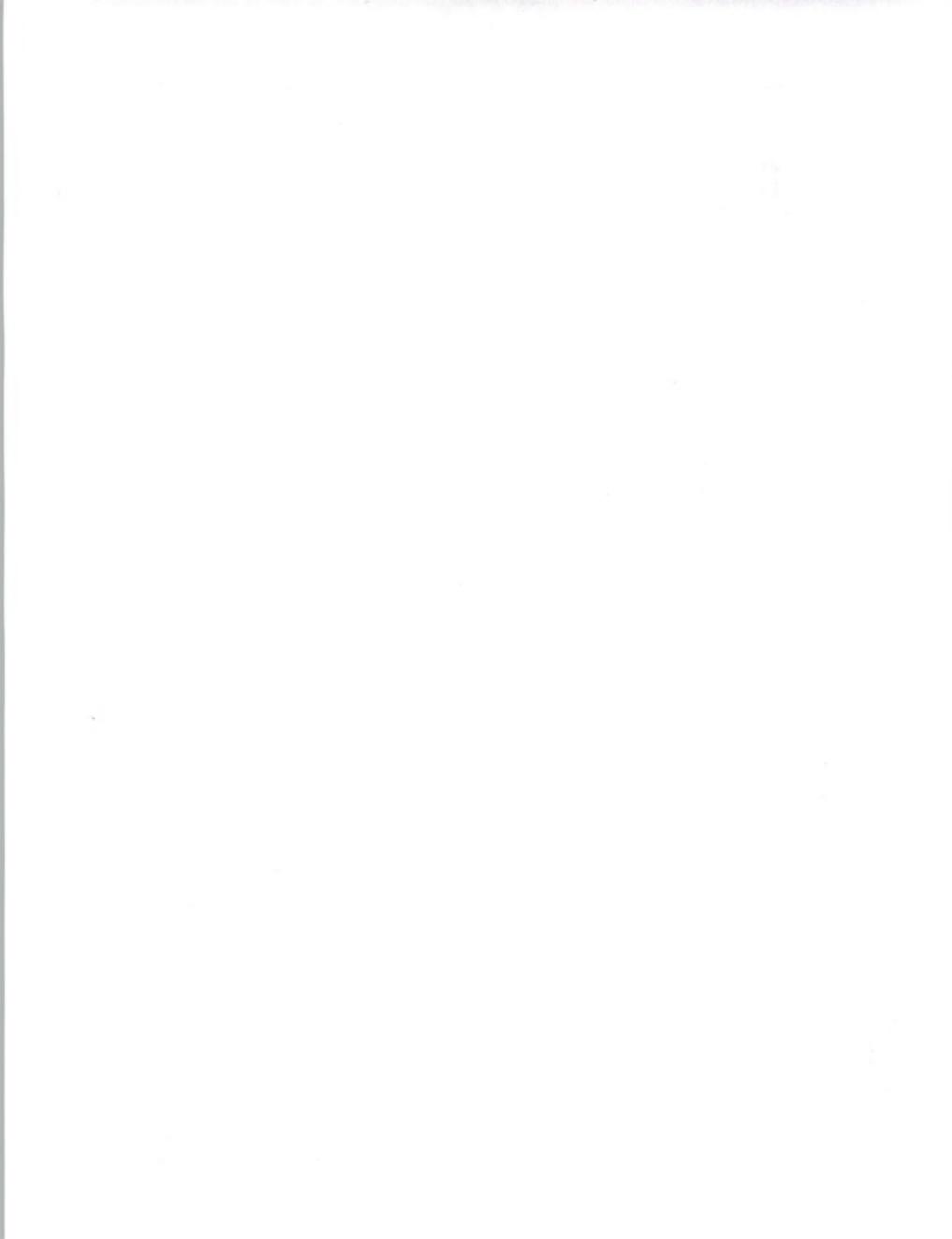
Equipment Support Required



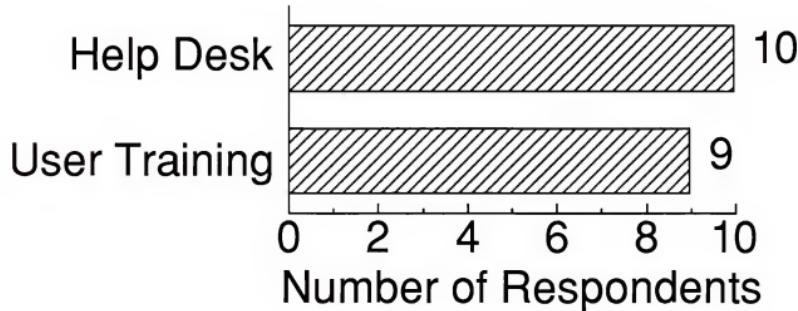


Connectivity Services Required



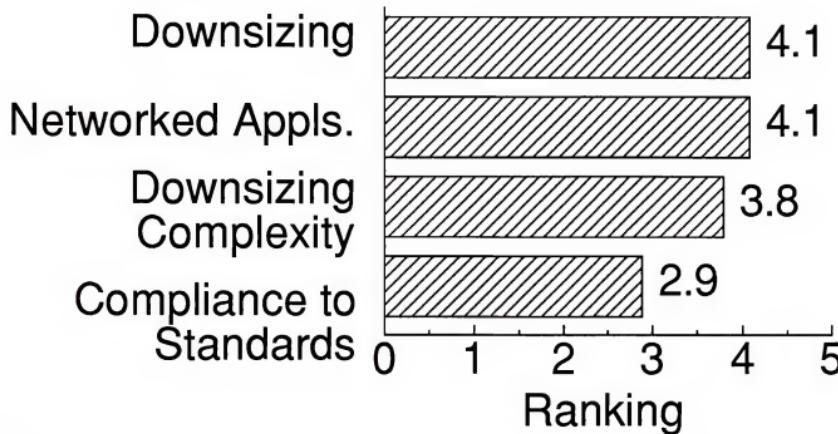


User Support Required



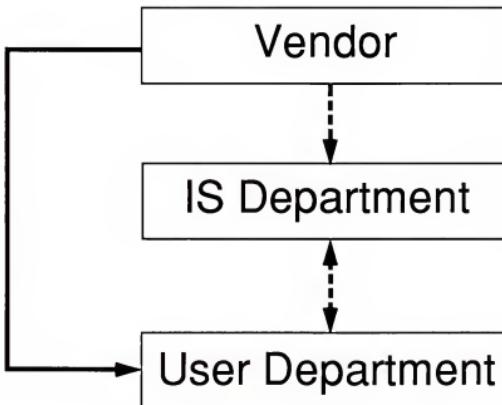


What Is Spurring Desktop Services?





Change in Client Interface



OU-141
10/29/92



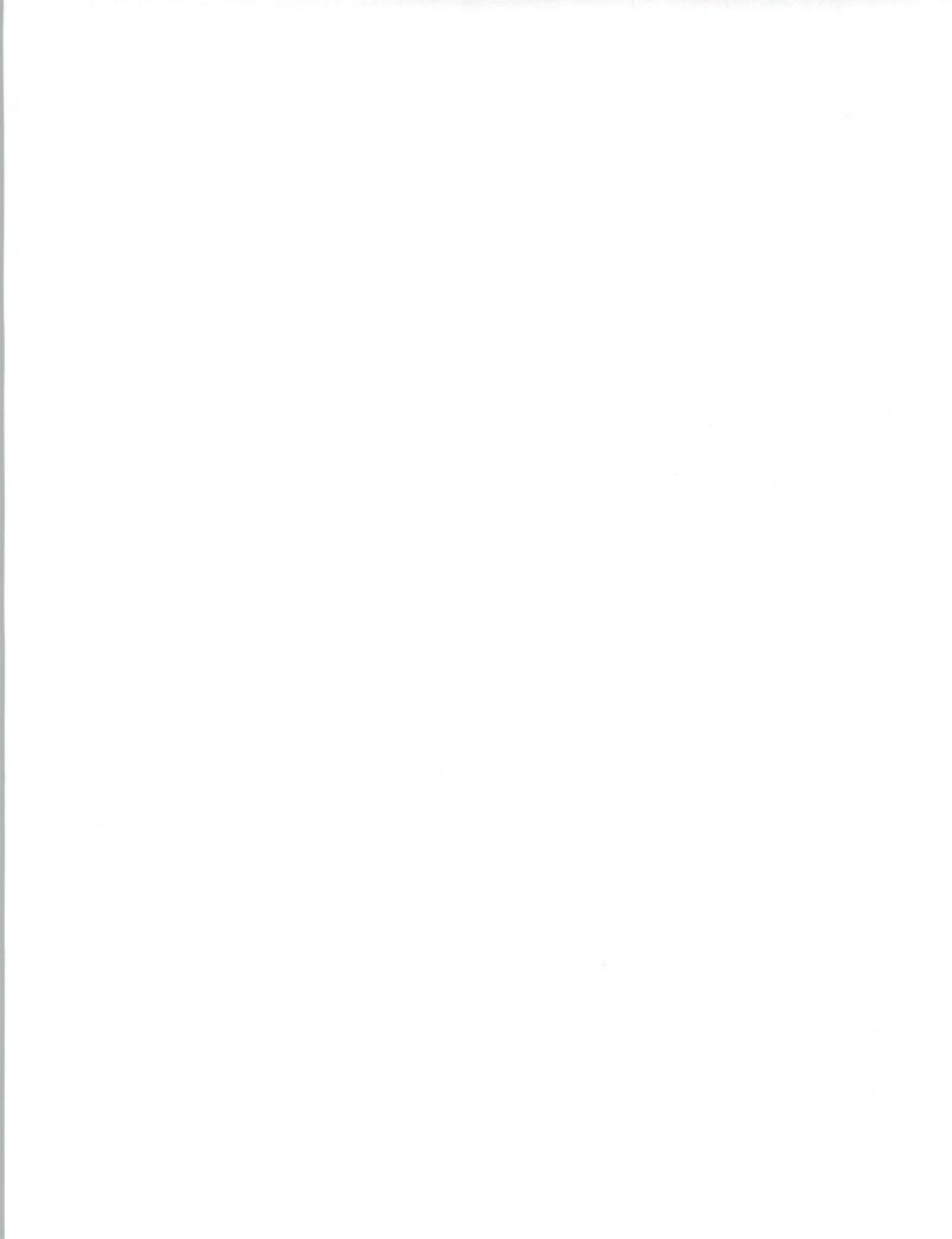
User Requirements

- “80% solutions” today
- Convenient interface/access
- Training
- Rapid problem resolution

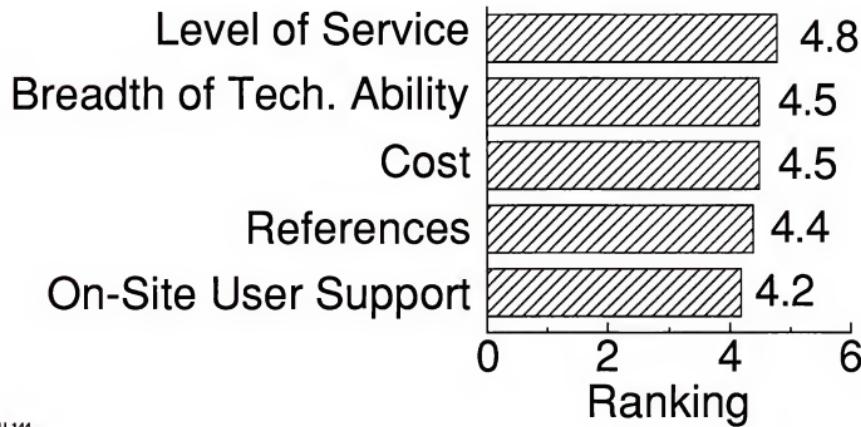


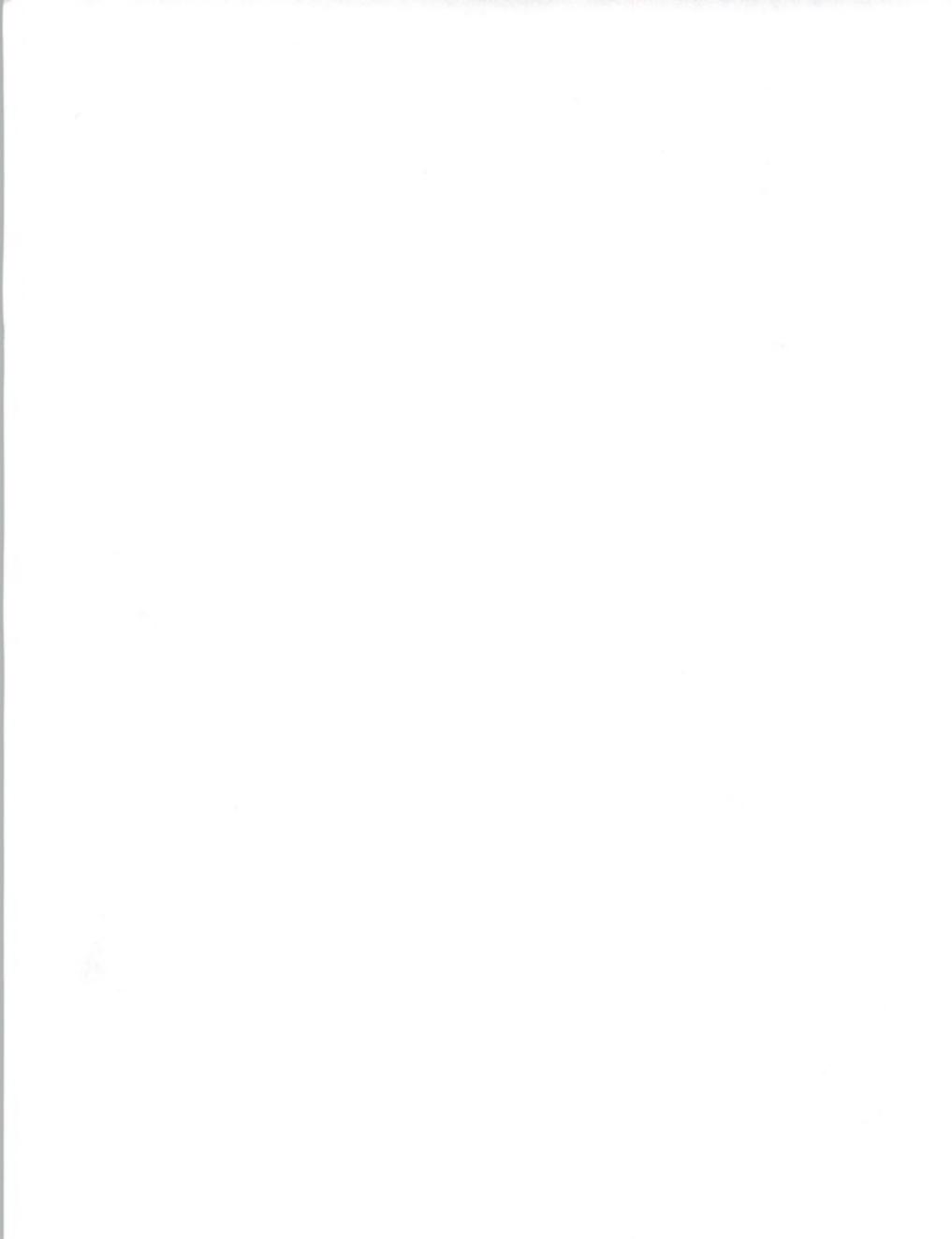
IS Department Requirements

- Control over standards
- Predictable costs
- Relief from management burden
- Removal from daily problems



Major User Criteria for Desktop Vendors





Vendor Strategies

OU-149
10/29/92

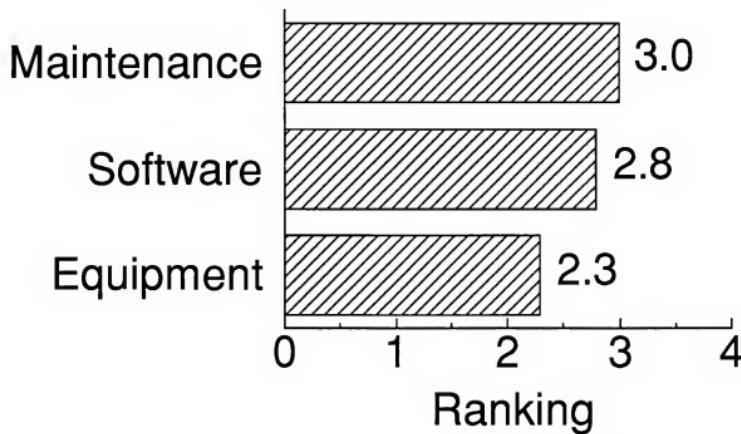


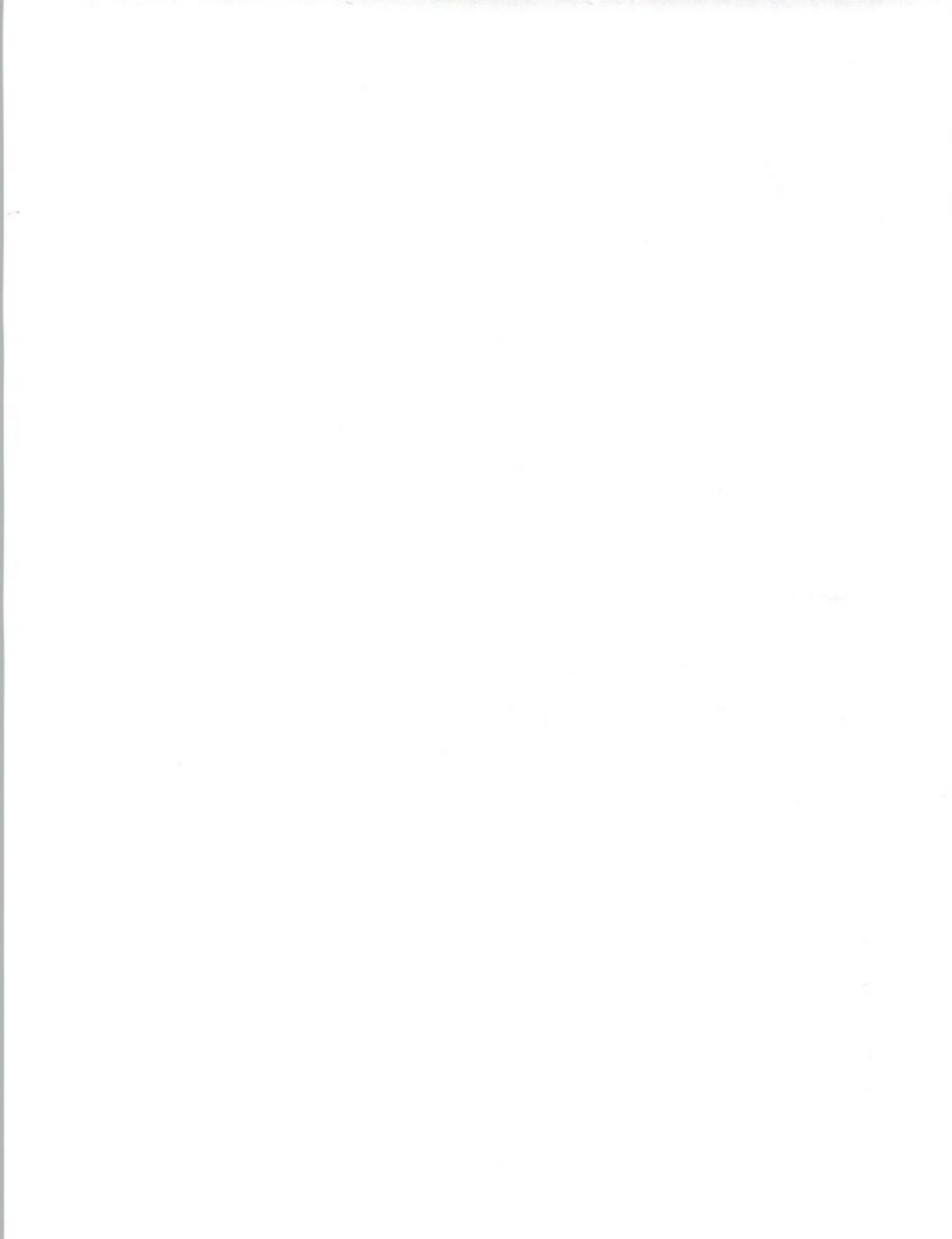
Desktop Vendor Requirements

- Need local presence
- Need large, dispersed staff
- Control inventory
- Educate users



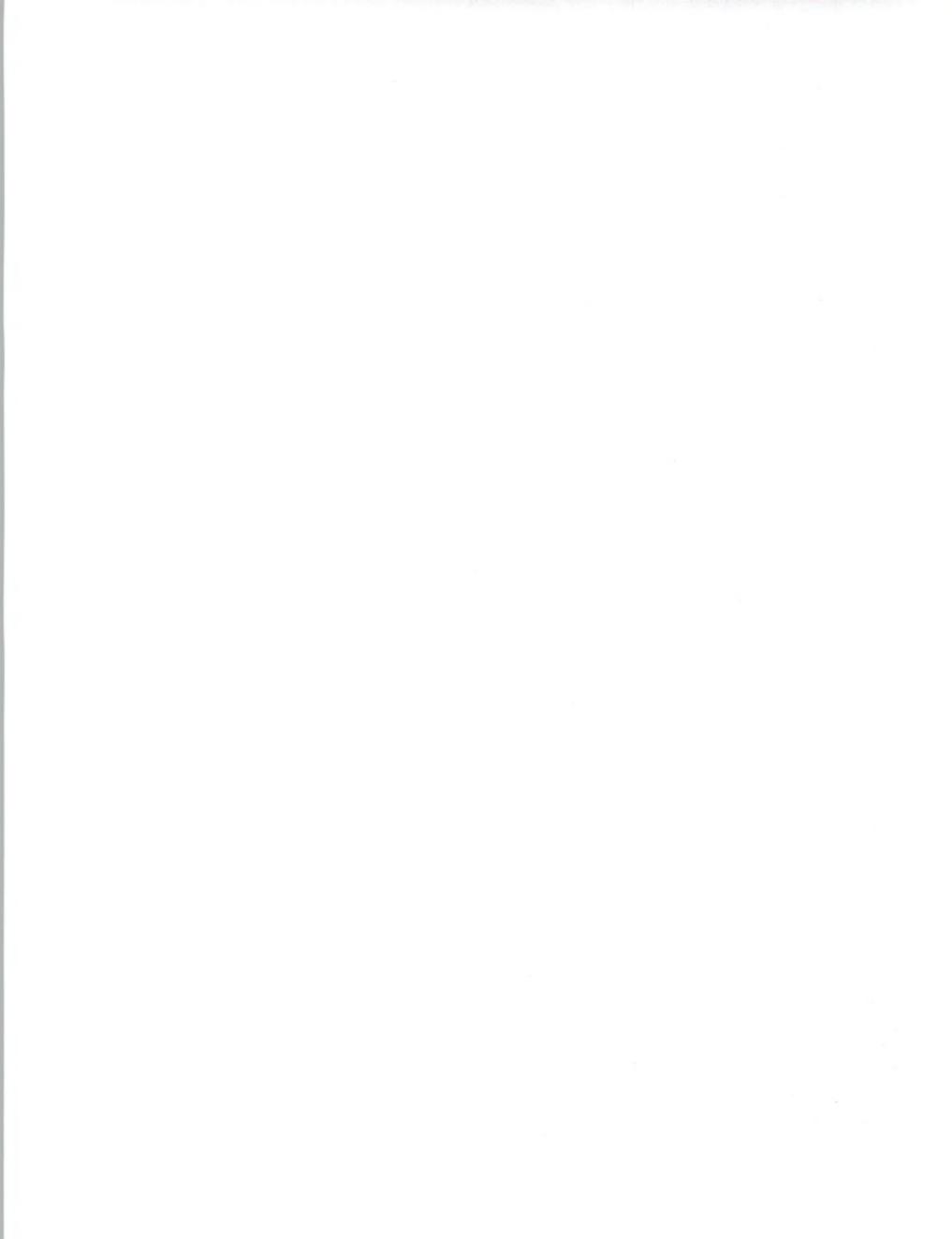
Least Profitable Desktop Components





Opportunities for Outsourcing Vendors

- Provide additional services
- Broaden client penetration
- Protect existing relationship
- Create application management opportunity



Recommendations and Conclusions

OU-153
10/29/92



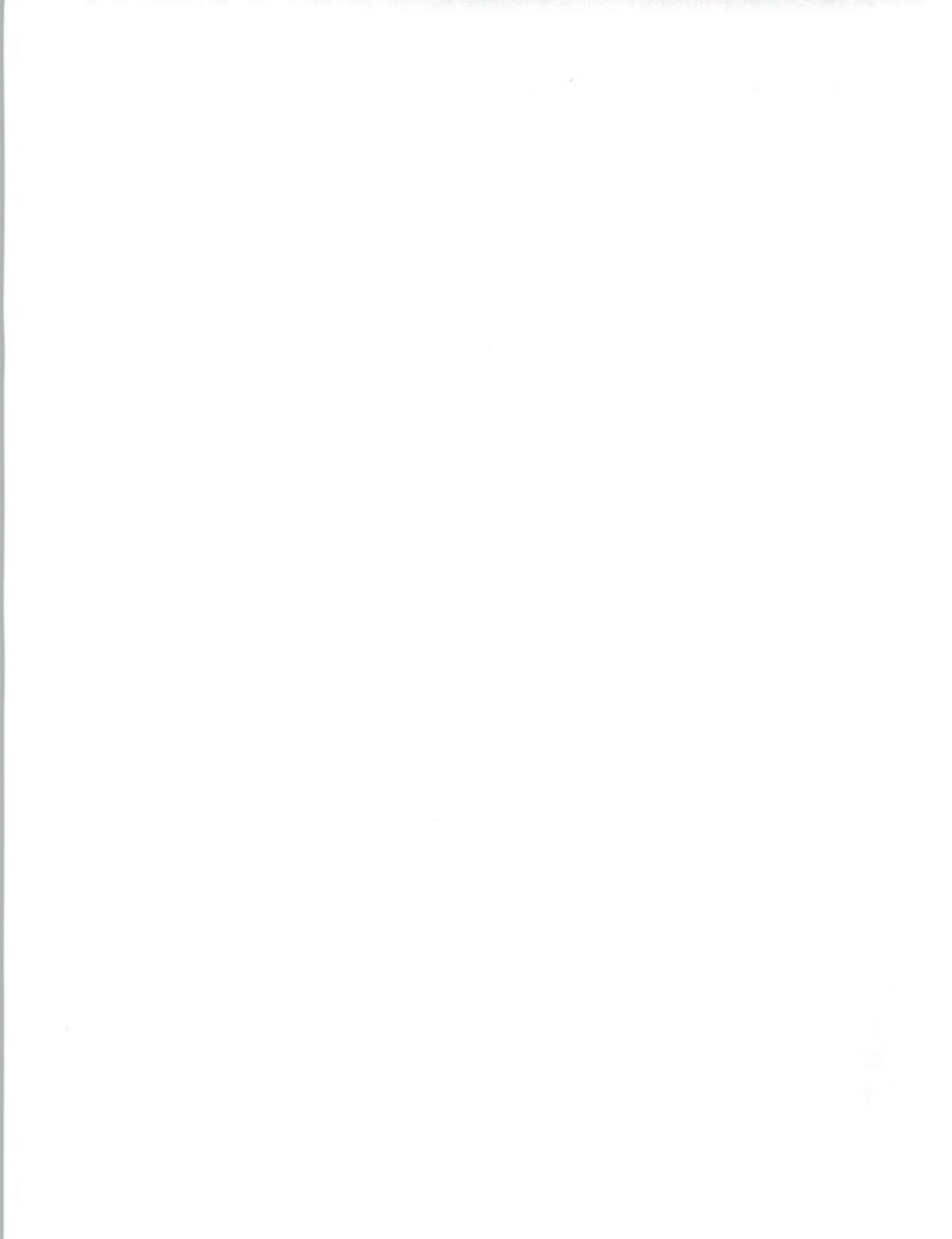
Vendor Recommendations

- Develop new staff capabilities
- Invest in management tools
- Form alliances



User Recommendations

- Standardize equipment/software
- Invest in training
- Be skeptical of technology

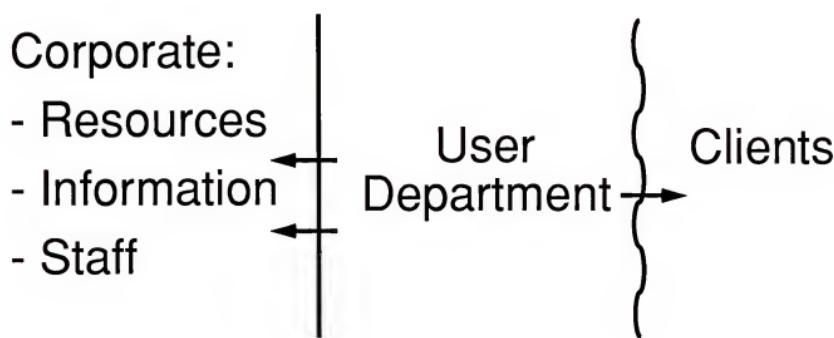


Conclusions

- Vendors need to support downsizing
- Desktop services difficult to manage
- Benefits to users significant
- Growth potential explosive



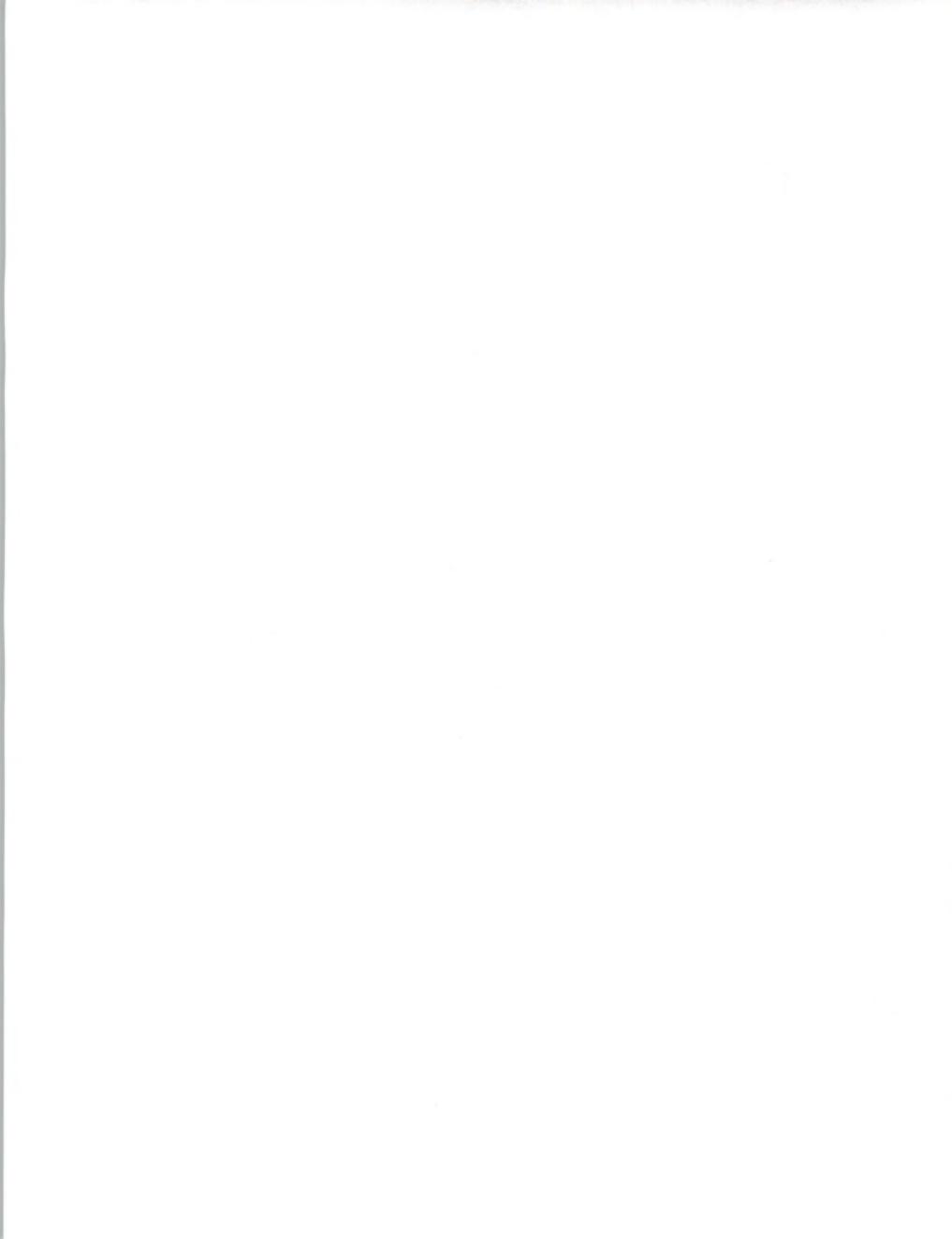
User Environment Changing





Vendor Directions

- IBM/Sears joint venture
- EDS restructure/refocus
- Ameritech/May-Speh partnership



Recommendations Vendors

- Position for change
- Restructure for diversity
- Assume role of change agent



Recommendations Users

- Consider all options
- Forget non-critical functions
- Manage outsourcing relationships

